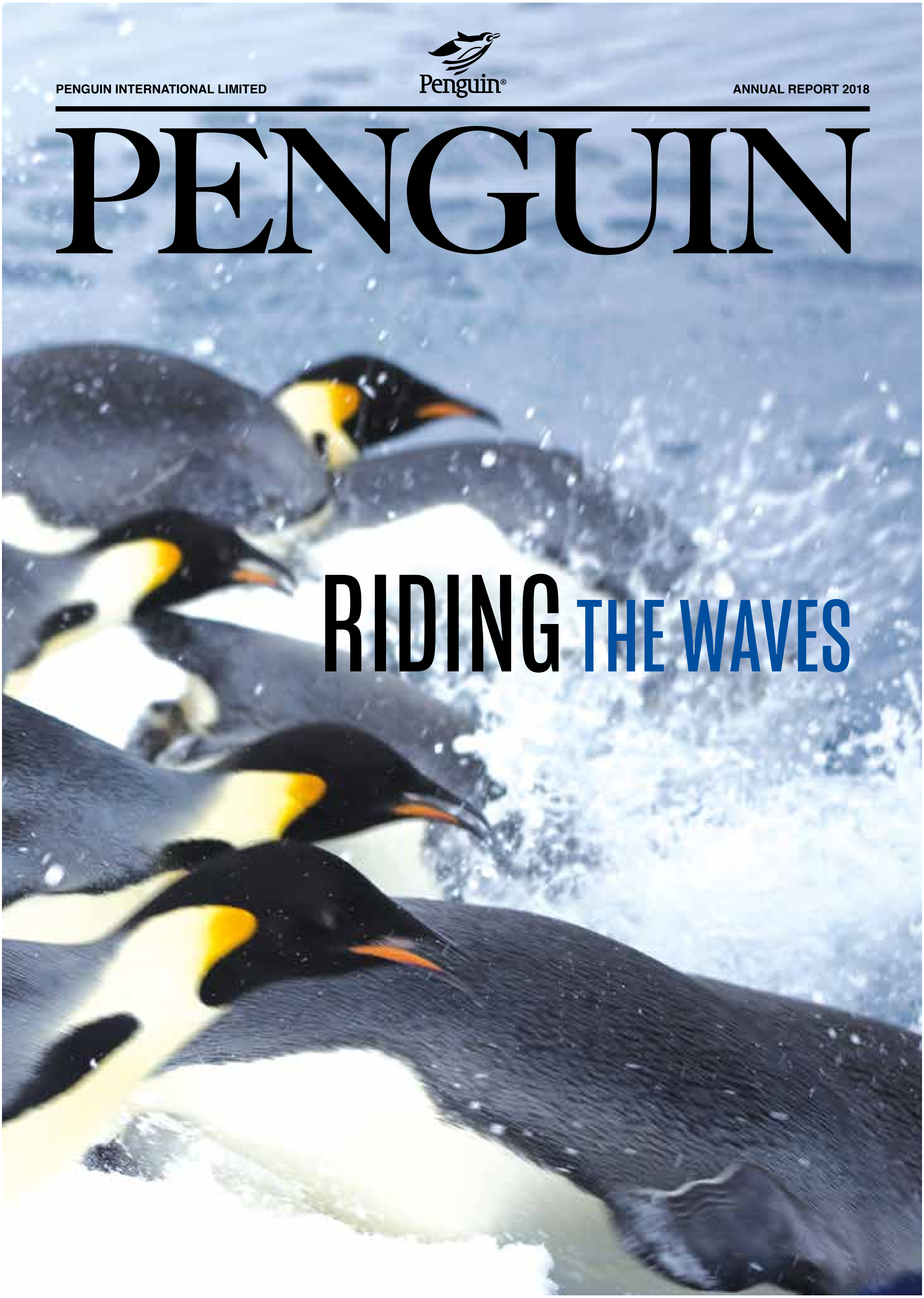
PENGUIN INTERNATIONAL LIMITED

Penguin®

ANNUAL REPORT 2018

PENGUIN

RIDING THE WAVES

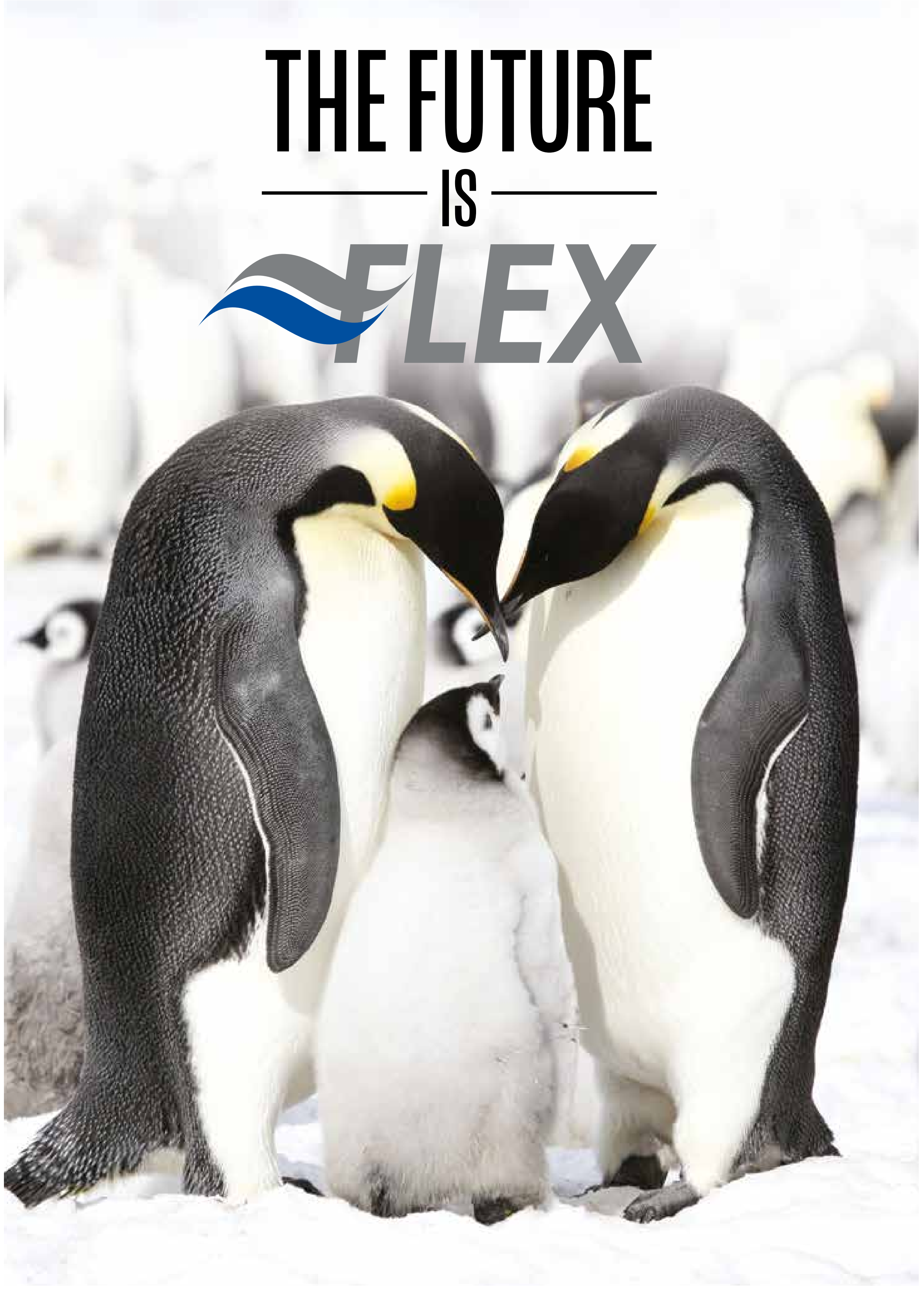


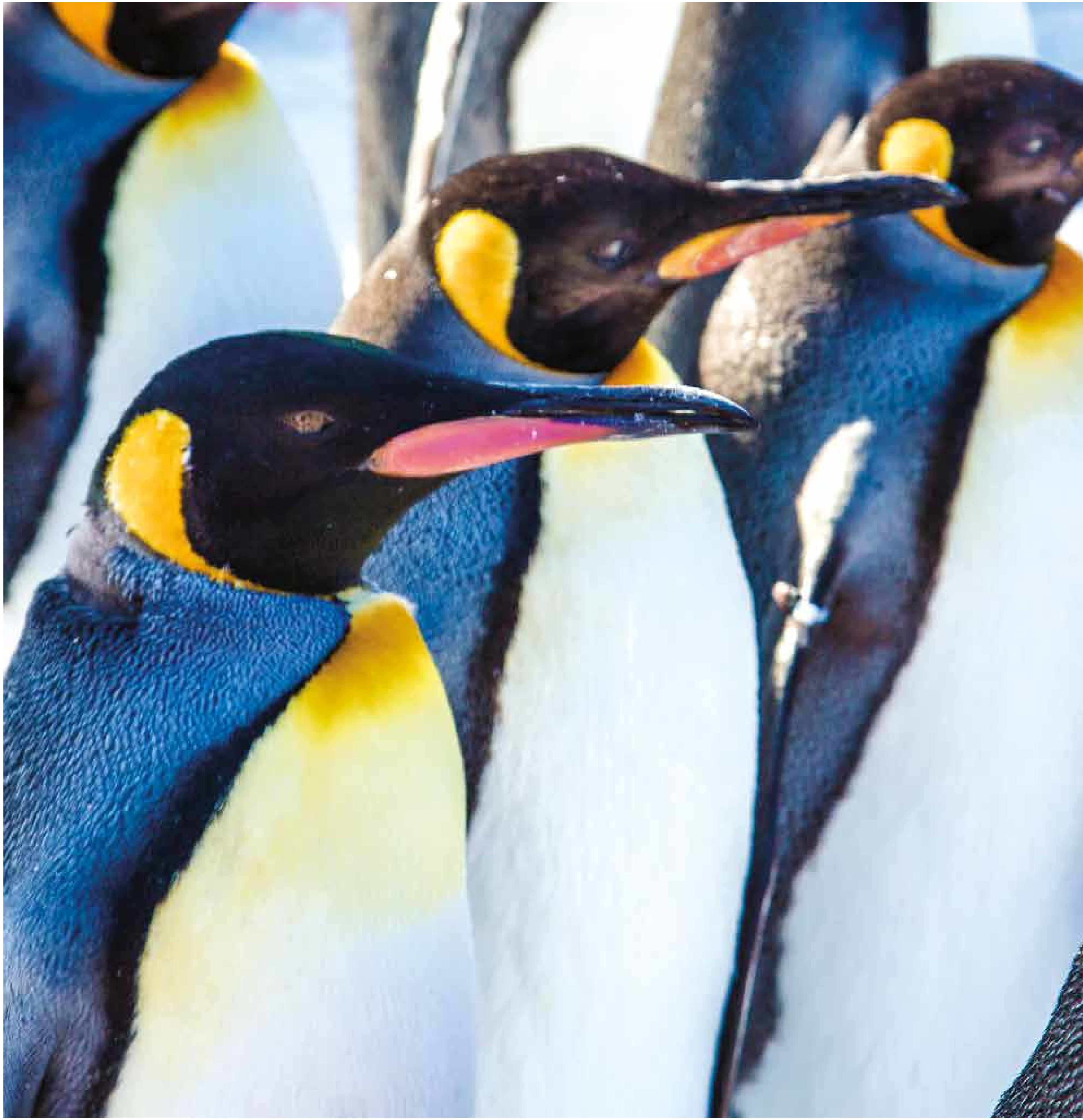
CONTENT
ANNUAL REPORT 2018

FEATURES

EDITORIALS

FINANCIALS





STANDING STRONG

Antarctic Penguins are adaptable to the harshest environmental conditions – extremely frigid temperatures (as low as minus 50 degrees Celsius) and ferocious wind gusts (exceeding 200 kilometres per hour). Despite the harsh surroundings, penguins have risen above their circumstances and learnt to stand strong and thrive amidst nature's wildest ravages.

The penguin's quiet stoicism in the face of adversity is a story that continues to inspire us today. In recent years, the management and staff of Penguin International Limited have come face to face with numerous challenges that rival the cold winds bearing down on the Antarctic Penguins. Like the penguins, we stood strong and overcame every challenge with courage, fortitude and ingenuity.

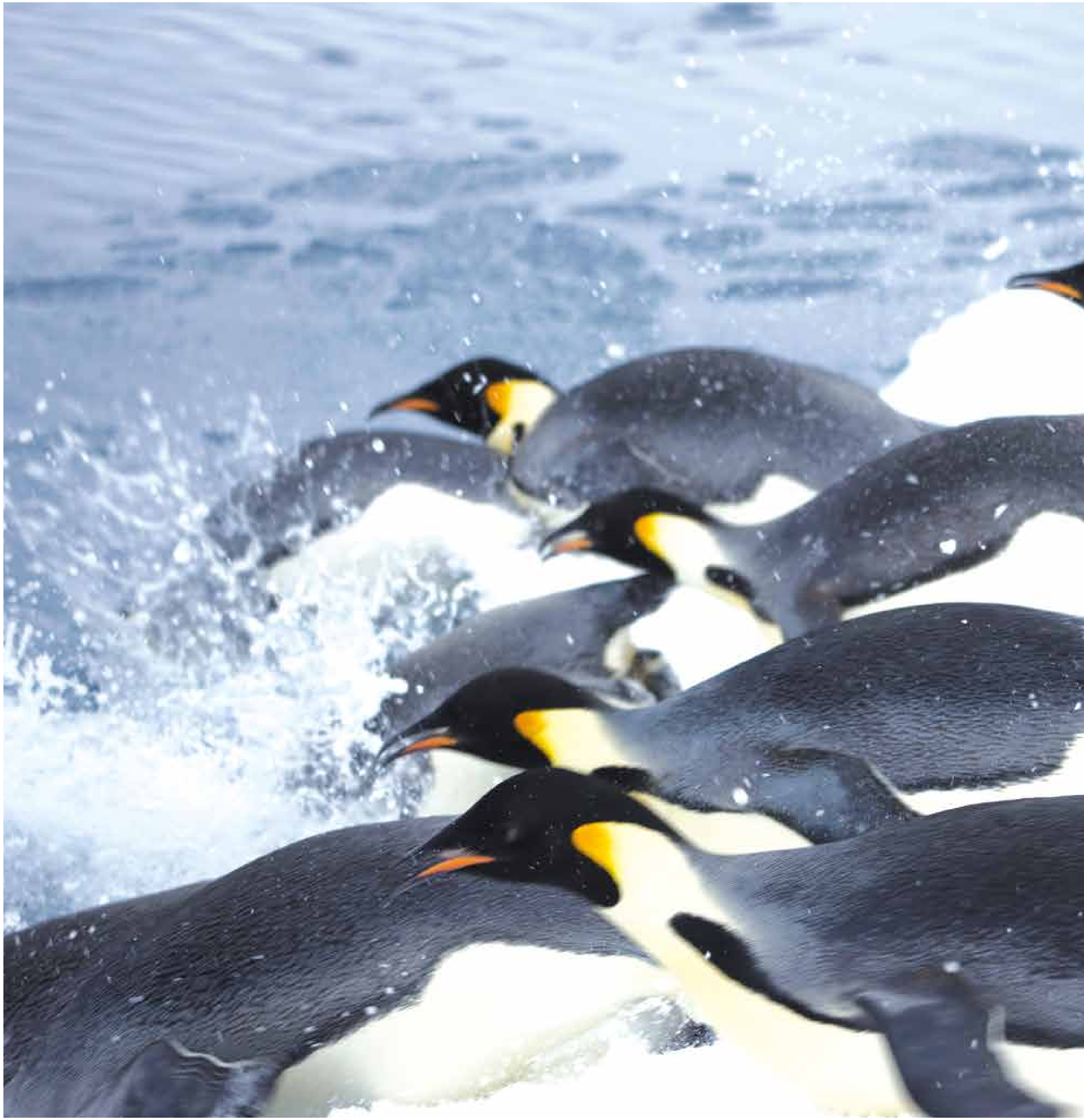
Flex Fighter: More than 50 delivered and counting.

STAYING AHEAD

In the water, penguins are able to dive deeper and adapt to crushing water pressures much better than any other aquatic bird. This innate skill has enabled penguins to exploit food sources well beyond the capabilities of their competitors.

Similarly, Penguin International Limited's integrated capabilities as a designer-builder-owner-operator have enabled us to capture new opportunities amidst fierce competition, backed by our strong balance sheet, our Flex brand, our global network and our pricing power as one of the world's most cost-effective crewboat builders and operators.

Fast and Furious: 35-knot FiFi-1 Classed Fire Fighting Search-and-Rescue vessel built for the Singapore Civil Defence Force.



PURSUING GROWTH

Penguins are excellent navigators – Emperor Penguins have been known to walk hundreds of kilometres in search of food, and yet be able to find their way back to their colony months later. Their built-in navigation system enables them to instinctively know where they have been and where they are heading in a featureless landscape of ice and snow.

The management and staff of Penguin International Limited are committed to developing new high-speed craft designs and applications. We avoid getting "lost" by staying true to our core values and capabilities.

The All-New Flex Ferry X: The newest cool in ferries.

WELCOME
TO THE HOME OF THE FLEX

PENGUIN IS A SINGAPOREAN HOMEGROWN, PUBLICLY LISTED DESIGNER, BUILDER, OWNER AND OPERATOR OF ALUMINIUM HIGH-SPEED CRAFT.

Since 1995, we have delivered more than 150 aluminium workboats, patrol craft and passenger ferries to ship owners around the world, including over 120 of our proprietary-designed Flex crewboats and Flex Fighter security boats.

In fact, Penguin is the world's most prolific builder of mid-sized, multi-role crewboats and security boats for the offshore and maritime security industries. That is how the Flex became the industry standard.

Whether you are fending off pirates in inland waterways or transporting rig workers in open seas, we have the Flex to suit your needs.

Our crewboats are jointly developed by our integrated in-house shipbuilding and ship management teams in Singapore, backed by more than two decades of experience.

At Penguin, we typically own and operate what we design and build. Our fleet of crewboats and passenger ferries serve our clients in and around Southeast Asia.

In addition, our shipyards in Singapore and Batam, Indonesia, operate a self-funded build-for-stock programme for our Flex crewboats and Flex Fighter security boats.

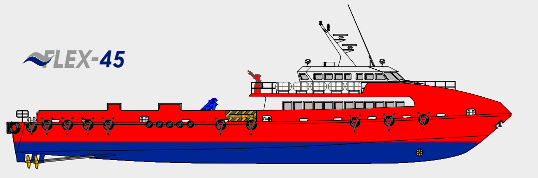
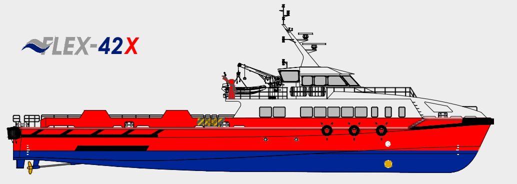
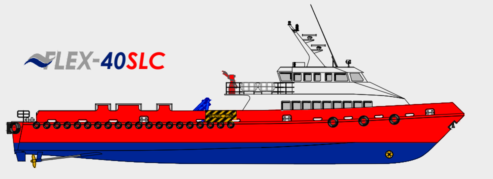
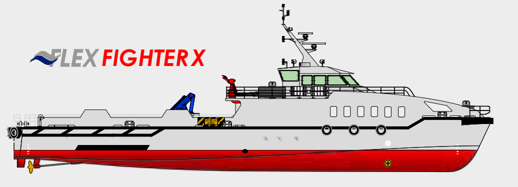
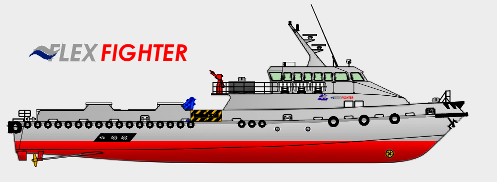
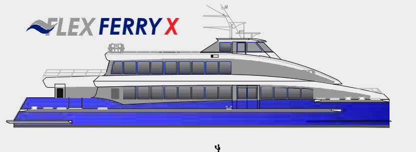
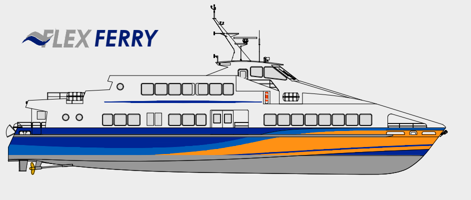
We also undertake build-to-order projects, as well as repair and conversion projects for a variety of high-speed craft, including fire fighting search-and-rescue vessels, patrol boats and passenger ferries.

Whether you are a ship owner or a charterer, you will enjoy peace of mind with the Penguin brand, which stands for integrity, professionalism and mutual respect.

Go ahead.
FLEX YOUR FLEET!

For more information on Flex sales and charters, please visit **www.penguin.com.sg** or email **psa@penguin.com.sg** (for sales) and **enquiries@pelican-offshore.com** (for charters).

THE FLEX FAMILY
OUR RANGE OF HIGH-SPEED COMMERCIAL CRAFT

		ENGINE POWER (BHP)	PAX CAPACITY (seats)	CARGO DECK (sqm)	FUEL CAPACITY (KL)
MULTI-ROLE CREWBOATS					
FLEX-45		5800	63*	135	135
FLEX-42X		4350	80*	110	82
FLEX-40SLC		4350	78	110	93
SECURITY BOATS					
FLEX FIGHTER X		4350	57	110	80
FLEX FIGHTER		4350	42[1]	93	86
PASSENGER FERRIES					
FLEX FERRY X		2900	285	–	7
FLEX FERRY		3900	238	–	8

* Full Business Class Seating Arrangement
[1] Includes 3 x 4-man cabins and Deck Command Centre on main deck

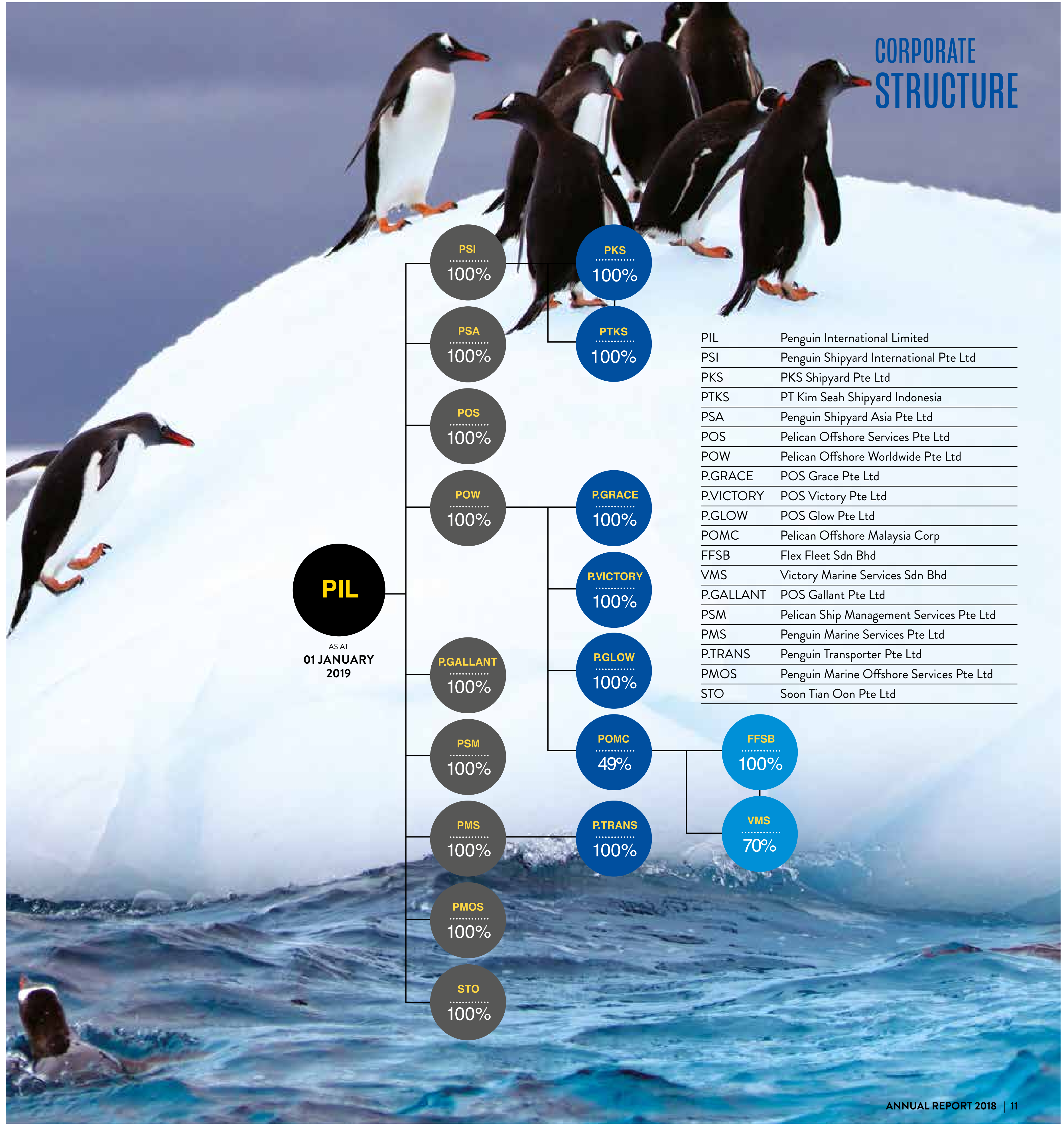
CORPORATE PROFILE

PENGUIN INTERNATIONAL LIMITED

Penguin International Limited is a Singaporean homegrown, publicly listed designer, builder, owner and operator of aluminium high-speed craft. Through a group of wholly owned, integrated subsidiaries, we own and operate a fleet of crewboats and passenger ferries, and we design and build a variety of high-speed craft, including patrol boats, fire fighting search-and-rescue vessels, and security vessels, at our shipyards in Singapore and Batam, Indonesia.

Our business is backed by a strong balance sheet and led by an experienced hands-on management team. We are committed to maintaining a high standard of public accountability, corporate governance and social responsibility. We stand for integrity, professionalism and mutual respect.

CORPORATE STRUCTURE



PIL	Penguin International Limited
PSI	Penguin Shipyard International Pte Ltd
PKS	PKS Shipyard Pte Ltd
PTKS	PT Kim Seah Shipyard Indonesia
PSA	Penguin Shipyard Asia Pte Ltd
POS	Pelican Offshore Services Pte Ltd
POW	Pelican Offshore Worldwide Pte Ltd
P.GRACE	POS Grace Pte Ltd
P.VICTORY	POS Victory Pte Ltd
P.GLOW	POS Glow Pte Ltd
POMC	Pelican Offshore Malaysia Corp
FFSB	Flex Fleet Sdn Bhd
VMS	Victory Marine Services Sdn Bhd
P.GALLANT	POS Gallant Pte Ltd
PSM	Pelican Ship Management Services Pte Ltd
PMS	Penguin Marine Services Pte Ltd
P.TRANS	Penguin Transporter Pte Ltd
PMOS	Penguin Marine Offshore Services Pte Ltd
STO	Soon Tian Oon Pte Ltd

A JOINT LETTER FROM
OUR CHAIRMAN & OUR MANAGING DIRECTOR

A GOOD PLACE

DEAR FELLOW SHAREHOLDERS,

In FY2018, Penguin posted a net profit after tax of $13.6 million, compared with $2.3 million the previous year. Revenue over the period rose 34.5% to $107.3 million, while gross profit grew 72.8% to $33.7 million.

Over the same period, shipbuilding revenue rose 44% to $81.5 million, while chartering revenue grew 17.6% to $24.7 million.

Our cash and cash equivalents rose 7.9% year-on-year to $41 million as at the end of 2018, while our cash ratio (cash and cash equivalents over total current liabilities) stood at a healthy 0.8.

Our Board of Directors has proposed a final dividend of 1.25 cents per share for FY2018.

Beyond the numbers, our efforts to broaden our product offering and market reach are starting to pay off.

In the past year or so, we have secured and/or executed new orders for Fire Fighting Search-and-Rescue vessels for Singapore, patrol boats for Australia, windfarm support vessels for Taiwan and a passenger ferry for Africa, while continuing to build stock Flex Fighter security boats for Nigeria and Flex crewboats for our own operating fleet in Southeast Asia. To cope with the higher workload, we are building a fifth workshop in our Batam shipyard.

As for our crewboat charters, we are finally seeing meaningful improvements in overall utilisation and charter rates, led by our new Flex-42X Executive Fast Crew Boat (see back cover: "Dun ya wish your crewboat was hot like me?"). Backed by strong affirmation from our oil major clients, we plan to continue expanding our fleet of Flex-42X through 2020. For now, the Flex-42X remains an in-house product designed and built exclusively for our Pelican entities. We will roll it out to third-party ship owners at the right time.

Our crewboat fleet expansion is driven not only by incremental demand, but also by fleet renewal, as we monetise our older – albeit still popular – crewboats through strategic sales and replace them with brand new models bearing significantly improved features. In 2018, we sold one Flex-40SL and two Flex-45 crewboats from our operating fleet and converted them into one Flex Fighter and two Flex Fighter *Plus* armoured security boats for Nigerian owners. At the same time, we launched our Flex-42X newbuilding programme.

Amidst all this activity, we continue to tap into the synergies between our design-and-build teams and our own-and-operate teams, which we have strengthened considerably over the past two years through new hires, new processes and new standards. Examples of this synergy include converting our crewboats into security boats, leveraging our vessel operating experience into design review discussions with shipbuilding clients, offering build-own-operate solutions to clients needing a one-stop transportation service, and rapidly rolling out new design features for our Flex fleet in response to charterers' feedback.

The above functions could arguably be performed by separate companies pooling their resources together, but they will never be as efficient or effective as our integrated design-build-own-operate team. One recent beneficiary of our integrated services model is our Singapore Civil Defence Force (SCDF). Late last year, our Tuas shipyard delivered one of two newbuild FiFi-1 Classed Fire Fighting Search-and-Rescue Vessels to SCDF, and our ship management team promptly and seamlessly took over the technical management of the vessel under a multi-year maintenance contract. This contracting model enables SCDF to focus on its core life-saving duties.

Some would say that we are in a good place right now. Perhaps.

A GOOD PLACE IS WHERE WE ARE STARTING TO MEET WORLD-CLASS STANDARDS, RECRUIT WORLD-CLASS EMPLOYEES AND SERVE WORLD-CLASS CLIENTS.

A good place is where we are starting to experience sustainability in the way we grow our business, the way we tap into people's full potential and the way we conduct ourselves in our business eco-system (for more information on our sustainability journey, please download our first sustainability report from our website).

Whenever we are in a good place, it is a good idea to look back in time to find out when we were last in a similar existential state and what might be different now.

A good reference point would be FY2014, when the group reported a record revenue, gross profit and net profit of $164.8 million, $56.1 million and $30.2 million respectively. That year saw a crystallisation of our "Flex Your Fleet" strategy of building standardised stock crewboats/security boats in a rapid production line for sale and charter. That year saw us deliver twenty Flex crewboats/security boats.

It was in the same year that we decided not to stake our future on only one basic stock product delivering the bulk of group profit. That was when we bid for and won an order to design and build four Flex Ferries for a regional ferry operator; and we did so with the full knowledge that we would have made more money had we simply chosen to build more crewboats/security boats instead.

So was FY2014 a good place for us? We don't think so. It was a nice place, for sure, but it was not a good place. In fact, FY2014 would have turned out to be a bad place in hindsight if we had defined a good place as having achieved high short-term profits at the expense of long-term sustainability.

Back in FY2014, we knew what a good place would look and feel like, which is why we took active measures to lay a foundation for a sustainable future underpinned by strong multiple revenue streams in shipbuilding and chartering, driven by world-class employees who are guided by world-class standards to serve world-class clients the likes of SCDF and ExxonMobil.

That we are in a good place right now is only the start of a new existential phase in a never-ending journey. It would be a mistake to think of a good place as a destination. Far from it, a good place is where we work harder than we ever did before and face ever greater challenges, but in the process experience more fulfilment and joy than ever before.

Above all, in all that we say and do, we constantly remind ourselves to be thankful and to never take anything or anyone for granted. Indeed, we are thankful to God for our employees, our board of directors, our clients, our project partners and you, our shareholders.

MR. JEFFREY HING
Executive Chairman

MR. JAMES THAM
Managing Director

CORPORATE MILESTONES

1972

Penguin's Founder Mr. Heng Kheng Seng sets up a sole proprietorship to operate ferries between Singapore and its offshore islands.

1976

Penguin is incorporated as a private limited company.

1995

Penguin builds its first aluminium vessel.

1997

Penguin becomes a public company on the Stock Exchange of Singapore. Pelican is set up to own and operate crewboats and Fast Supply Intervention Vessels (FSIV).

Penguin delivers first FSIV to Pelican.

2002

Penguin delivers to Pelican the first 50-metre FSIV – the largest and fastest ever built in Southeast Asia at the time.

2006

Flex-36 Series launched.

2012

Flex-38 Series launched.
First Flex Fighter delivered.

2013

50th Flex crewboat delivered.

2014

Flex-40 Series launched.
First Flex Ferry delivered.
First Flex-50 delivered.

2015

100th Flex crewboat delivered.
First Flex-45 delivered.

2016

Flex-25 CAT and Flex-42X delivered.
SCDF contract awarded for two fire fighting search-and-rescue vessels.

2017

Successful conversion of Flex-25 CAT from 60-pax crewboat to 112-pax ferry to 260-pax ferry.

2018

First of two fire fighting search-and-rescue vessels delivered to SCDF.

Contracts secured for the design and construction of offshore windfarm vessels and patrol boats.

BOARD OF DIRECTORS
EXECUTIVE DIRECTORS

MR. JEFFREY HING YIH PEIR
Executive Chairman

Mr. Hing was appointed Chairman of Penguin on 24 February 2010 and re-designated as Executive Chairman on 28 April 2011. As Chairman, he is responsible for the development and strategic direction of Penguin, managing the quality, quantity and timeliness of the information flow between Management and the Board, as well as ensuring compliance with Penguin's guidelines on corporate governance.

Mr. Hing is a substantial shareholder in Penguin. Prior to his appointment as Chairman, he served as Non-Executive Director from February 2009. He was last re-elected in April 2017. Mr. Hing was appointed a member of the Nominating Committee on 28 April 2015.

Mr. Hing has more than 30 years of experience in the marine and offshore industry in a variety of roles including finance and administration, business development and management. He is the founder and managing director of Trinity Offshore Pte. Ltd., a Singapore-based owner-operator of offshore support/utility vessels.

He is currently the Executive Chairman and Managing Director of OEL (Holdings) Limited and also sits on the Board of Marco Polo Marine Limited as a Non-Executive Director with effect from 1 March 2018.

As an experienced entrepreneur in the marine and offshore industry, Mr. Hing brings to Penguin his business acumen and his global network of industry contacts. An accountant by training, Mr. Hing has served in various roles as auditor, accountant, senior executive and director of diversified corporations.

MR. JAMES THAM TUCK CHOONG
Managing Director

Mr. Tham was appointed Managing Director on 1 October 2008 and was last re-elected on 27 April 2017. He was previously the Chief Operating Officer and an Executive Director from August 2008, responsible for strategic business development, focusing on key overseas markets, mergers and acquisitions, as well as investor relations. Mr. Tham joined Penguin in November 2006 as its Business Development Director.

Prior to joining Penguin, Mr. Tham served in a variety of roles in the offshore oil and gas industry. He previously worked as a Petroleum Correspondent with Upstream, the international oil and gas newspaper; a Business Development Manager with New York-based Seacor Holdings Inc.; and later served as a Corporate Advisor to the group, as well as to several independent petroleum exploration companies in the region. Mr. Tham holds a Bachelor of Science Degree in Journalism and a Bachelor of Business Administration Degree.

MS. JOANNA TUNG MAY FONG
Finance and Administration Director

Ms. Tung was appointed Finance and Administration Director in May 2008 and last re-elected on 21 April 2016. She is responsible for the Group's accounting and finance, corporate reporting, management information system and human resources functions.

Ms. Tung joined the Group in 2000 as an Accountant, and was promoted to Group Financial Controller in 2006, and subsequently Finance and Administration Director in 2008. Her duties and responsibilities have, over the years, been expanded to include management of Penguin's accounting and finance activities, as well as corporate reporting and related Group administration.

Prior to joining Penguin, she served as an accountant in a broad range of industries, including electronics and transportation. She was also a regional internal auditor at a major Japanese MNC. Ms. Tung is a member of the Institute of Singapore Chartered Accountants and holds the ACCA professional qualification.

BOARD OF DIRECTORS
INDEPENDENT DIRECTORS

MR. ONG KIAN MIN
Lead Independent Director

Mr. Ong was appointed to the Board in September 1997 and last re-elected on 24 April 2018. He is Chairman of the Audit Committee and a member of the Remuneration and Nominating Committees. He was appointed the Lead Independent Director on 3 May 2013.

Mr. Ong was awarded the President's Scholarship and Police Force Scholarship in 1979. He served as a Member of Parliament of Singapore from January 1997 to April 2011. Mr. Ong holds a Bachelor of Laws (Honours) External Degree from the University of London and a Bachelor of Science (Honours) Degree from the Imperial College of Science and Technology in England. Mr. Ong was called to the Bar of England and Wales in 1988 and to the Singapore Bar the following year, and practised as a consultant with Singapore law firm Drew & Napier LLC from October 2000 until March 2019.

In addition to his legal practice, he is a Senior Advisor of Alpha Advisory Pte Ltd (a financial and corporate advisory firm) and CEO of Kanesaka Sushi Private Limited which invests in and operates Japanese fine-dining restaurants. Currently, Mr. Ong serves as Independent Director on the Board of several other Singapore-listed companies, namely Breadtalk Group Ltd, Food Empire Holdings Limited and Silverlake Axis Limited, and of OUE Hospitality REIT Management Pte Ltd (the REIT Manager of OUE Hospitality Real Estate Investment Trust which is listed on the SGX-ST).

MR. LEOW BAN TAT
Independent Director

Mr. Leow was appointed to the Board on 28 April 2015 and last re-elected on 24 April 2018. He is a member of the Audit and Remuneration Committees and was appointed Chairman of the Nominating Committee on 8 May 2017.

Mr. Leow has more than 30 years' of experience in the marine and offshore industry in Singapore and overseas. Mr. Leow is the Managing Director of AME2 Pte Ltd, his own consultancy company which provides services for strategic marketing and business development for offshore companies and shipyards.

Mr. Leow holds a Master's degree in Business Administration from Monash University, Australia, receiving the KPMG Peat Marwick Prize for Strategic Management. He also obtained a First Class Marine Engineering Certificate of Competency from DTI in Newcastle-upon-Tyne, United Kingdom in 1985 after graduating with a Diploma in Marine Engineering (Merit) from the Singapore Polytechnic on an Esso scholarship.

Mr. Leow was the President of the Society of Naval Architects and Marine Engineers Singapore from 2001 to 2002 and served in a significant military defence role as National Serviceman Chief Engineering Officer with the Republic of Singapore Navy from December 1993 to July 2018.

MR. PAUL TAN POH LEE
Independent Director

Mr. Tan was appointed to the Board on 8 May 2017 and serves as the Chairman of the Remuneration Committee and is a member of the Audit Committee. He was last re-elected on 24 April 2018.

He is the Chief Financial Officer of Keppel Offshore & Marine Ltd as well as a director of a number of companies in the Keppel Group. Mr. Tan also serves as a director on the board of k1 Venture Limited, as Chairman of Keppel Philippines Holdings Inc., a company listed on the Philippine Stock Exchange, Inc.

Mr. Tan has more than 30 years' experience in finance and accounting and is a Fellow of the Association of Chartered and Certified Accountants and a Chartered Accountant, Singapore.

KEY MANAGEMENT
PERSONNEL

MR. LAW CHWAN YAW
Group Financial Controller
Penguin International Limited

Mr. Law was appointed Group Financial Controller in November 2008. He is responsible for the Group's finance, accounting and risk management functions. Mr. Law joined the Penguin Group as an Accountant in May 2001 and was later promoted to Group Accountant in August 2006, and then Group Finance Manager in July 2008, before being appointed to his current position.

Mr. Law is a member of the Institute of Singapore Chartered Accountants and the Malaysian Institute of Accountants. He graduated from the University of Malaya in 1996 with a Bachelor of Accounting Honours degree.

MR. CHAN YING KWOK
General Manager
Penguin Shipyard International Pte Ltd

Mr. Chan joined the Penguin Group in October 2016 as Deputy General Manager of Penguin Shipyard International Pte Ltd, and was promoted to General Manager in January 2018.

Mr. Chan possesses more than 30 years of experience in the shipping and shipbuilding industries. Prior to joining the Penguin Group, Mr. Chan has held senior managerial and lead technical positions in local and overseas companies, performing a variety of roles including vessel design, newbuilding, operations and maintenance.

Mr. Chan is a Chartered Marine Engineer of the Engineering Council, UK, and a qualified Quality Assurance Engineer. He holds a UK First Class Honours Bachelor of Engineering Degree in Marine Technology, specialising in Marine Engineering, and a local Post-Graduate Diploma in Defence Science and Technology.

MR. CEDRIC FONG CHOR HUNG
General Manager
PT Kim Seah Shipyard Indonesia
Senior Manager, Shipyard
Penguin Shipyard International Pte Ltd

Mr. Fong joined the Penguin Group in December 2016. He was appointed Senior Manager, Shipyard, of Penguin Shipyard International Pte Ltd in January 2019 and was appointed General Manager of the Group's Batam shipyard, PT Kim Seah Shipyard Indonesia, in January 2018.

Mr. Fong oversees all trades and facilities in Penguin Shipyard in Singapore, and all shipbuilding, repair and conversion activities in PT Kim Seah in Batam.

Mr. Fong possesses close to two decades of experience in the marine industry, holding managerial positions in both Singapore and Batam.

Mr. Fong graduated from Queensland University of Technology with an Honours Degree in Electrical and Computer System Engineering in 2002 and holds a Diploma in Electrical Engineering from Ngee Ann Polytechnic.

MR. PHILIP CHAN BAN ENG
Deputy General Manager
PT Kim Seah Shipyard Indonesia

Mr. Chan was appointed Deputy General Manager of the Group's Batam shipyard, PT Kim Seah Shipyard Indonesia, in November 2013.

With close to four decades of shipbuilding experience, Mr. Chan is responsible for all production activities in Batam, including production planning, project management and quality control.

Prior to joining the Penguin Group, Mr. Chan had worked as a Production Manager at a Singapore-based aluminium shipyard for close to two decades.

Mr. Chan holds a Diploma in Business Efficiency and Productivity in Production Management from Singapore's NPB Institute for Productivity Training, as well as an Advanced Craft Certificate in Shipbuilding from City and Guilds of London Institute.

MR. MARCUS LIM BOON PIN
Deputy General Manager
Pelican Ship Management Services Pte Ltd

Mr. Lim joined the Penguin Group in October 2017 as Deputy General Manager of the Group's ship management arm and crewboat-owning subsidiaries under the Pelican Group.

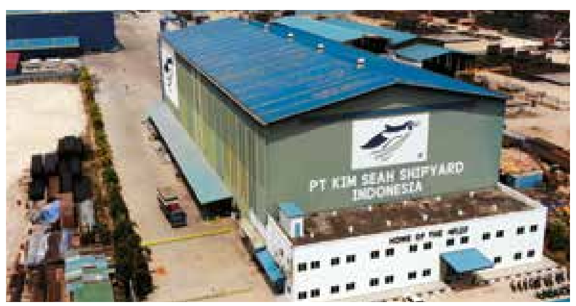
A Class 1 Marine Engineer with more than a decade of seagoing experience, Mr. Lim is responsible for the safe and efficient operation of the Group's own fleet of high-speed vessels.

Prior to joining the Penguin Group, Mr. Lim has held various managerial positions in the marine and offshore industries.

Mr. Lim graduated from Singapore Polytechnic in 1999 with an Advanced Diploma in Marine Engineering. He went on to obtain a First Class Honours Degree in Mechanical and Aerospace Engineering, majoring in Marine and Offshore Engineering, from Nanyang Technological University in 2007.

OPERATING & FINANCIAL REVIEW

HIGHLIGHTS OF FY2018



Home of the Flex in Tuas and Batam: World's biggest builder of mid-sized crewboats and security boats.

OPERATIONS

- Secured design-and-build orders for seven patrol boats for Australia, two windfarm support vessels for Taiwan and a passenger ferry for Africa.
- Delivered first of two FiFi-1 Classed Fire Fighting Search-and-Rescue Vessels to the Singapore Civil Defence Force. The second vessel is scheduled for delivery in 2Q2019. Both vessels will be maintained by Penguin under a long-term maintenance agreement.
- Delivered seven Flex Fighters to various owners and two Flex-42X Executive Fast Crew Boats to Penguin's own chartering entities.
- Sold six vessels from the group's operating fleet, comprising three passenger ferries and three crewboats.
- Launched Penguin's debut sustainability report. Available now on www.penguin.com.sg/about-us/investor-relations/sustainability-reports/
- Two Pelican crewboats, Pelican Calm and Pelican Gallant, were separately involved in the rescue of distressed fishermen at sea.

FINANCE

- Net profit after tax of $13.6 million in FY2018, compared with $2.3 million the previous year. Revenue over the period rose 34.5% to $107.3 million, while gross profit grew 72.8% to $33.7 million.
- Shipbuilding revenue rose 44% year-on-year to $81.5 million, while chartering revenue grew 17.6% to $24.7 million over the same period.
- 8.0% increase in net assets from $140.9 million as at end 2017 to $152.2 million as at end 2018.
- Cash and cash equivalents of $41 million and cash ratio of 0.8 as at end 2018.

In FY2018, our shipbuilding revenue rose 44% year-on-year to $81.5 million, of which 59.3% was contributed by the sale of stock Flex crewboats/security boats to third parties and 40.7% by newbuild orders placed by government and private sector clients.

Over the same period, chartering revenue grew 17.6% to $24.7 million, of which 64.4% was contributed by the group's own fleet of Flex crewboats.

On the fleet renewal front, the group generated $20.1 million in sales proceeds from the sale of three ferries and three crewboats, and commenced a Flex-42X newbuilding programme for 2019 deliveries.

As always, Penguin draws only on its own cash reserves to build vessels for stock, and always with a watchful eye on the market.

THE COMPANY IS OPTIMISTIC ABOUT ITS SHIPBUILDING AND CHARTERING PROSPECTS IN FY2019. PENGUIN'S BOARD OF DIRECTORS HAS PROPOSED A FINAL DIVIDEND OF 1.25 CENTS PER SHARE FOR FY2018.

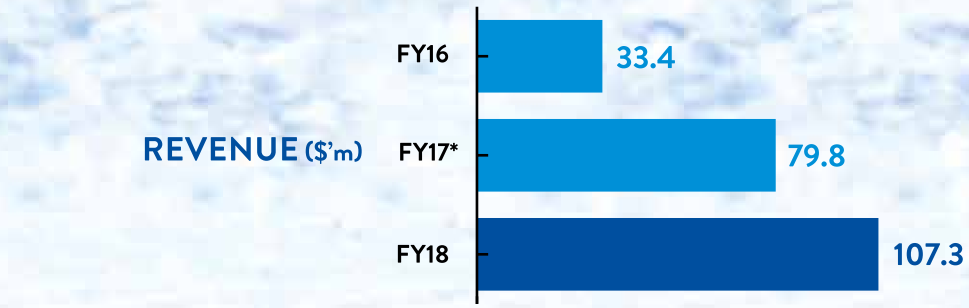
KEY BALANCE SHEET HIGHLIGHTS

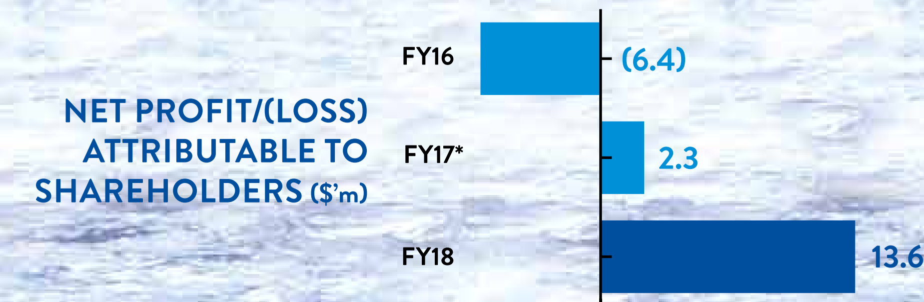
($'MILLION)	As at 31 Dec 2018	As at 31 Dec 2017
Total Assets	206.7	178.1
Property, plant and equipment	86.6	74.1
Inventories	20.6	18.9
Fixed deposits	31.6	29.7
Cash and bank balances	11.0	9.3
Total Liabilities	54.5	37.2
Total Equity	152.2	140.9

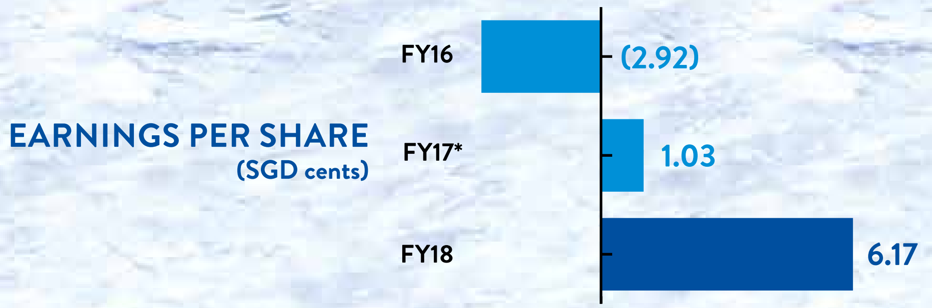
Speed and Comfort Reimagined: Setting new crew transfer standards with the new Flex-42X.

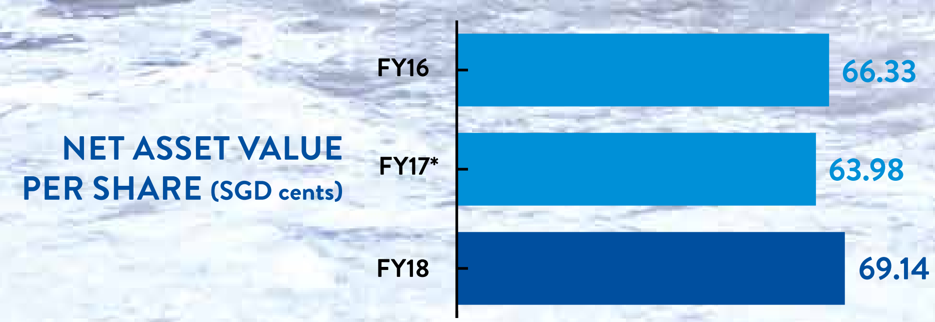
KEY FINANCIAL HIGHLIGHTS

IN FY2018









* For comparison, the results for year ended 31 December 2017 are restated following the adoption of the new financial reporting framework, Singapore Financial Reporting (International) ("SFRS(I)s").

CORPORATE INFORMATION

DIRECTORS
Jeffrey Hing Yih Peir
James Tham Tuck Choong
Tung May Fong
Ong Kian Min
Leow Ban Tat
Paul Tan Poh Lee

COMPANY SECRETARIES
Heng Michelle Fiona
Lo Swee Oi

REGISTERED OFFICE
18 Tuas Basin Link
Singapore 638784

BANKERS
Malayan Banking Berhad
United Overseas Bank Limited
Standard Chartered Bank

SHARE REGISTRAR
Boardroom Corporate &
Advisory Services Pte Ltd
50 Raffles Place
#32-01, Singapore Land Tower
Singapore 048623

AUDITORS
PKF-CAP LLP
6 Shenton Way
OUE Downtown 1 #38-01
Singapore 068809
Partner in charge: Lee Eng Kian
(Since financial year ended
31 December 2018)

CORPORATE GOVERNANCE REPORT

Penguin International Limited (the "Company") is committed to maintaining high corporate governance standards and sound corporate practices within Penguin International Limited and its subsidiaries (the "Group") to ensure that effective self-regulation practices are in place to enhance corporate performance and accountability. This report sets out the corporate governance practices of the Company with reference to the principles of the Code of Corporate Governance 2012 (the "Code"). The Code forms part of the Continuing Listing Obligations of the Singapore Exchange Securities Trading Limited's Listing Manual.

The Board is pleased to confirm that for the financial year ended 31 December 2018, the Group has adhered to the principles and guidelines as set out in the Code and in so far as any principle and/or guideline has not been complied with the reason has been provided.

BOARD MATTERS

Principle 1: BOARD'S CONDUCT OF AFFAIRS

The Board comprises six Directors, of whom three are Independent Directors. The Board with its diverse mix of professional backgrounds have greatly benefited the Group. The Directors are as follows:

Executive Directors

Jeffrey Hing Yih Peir	(Executive Chairman)
James Tham Tuck Choong	(Managing Director)
Tung May Fong	(Finance and Administration Director)

Non-Executive Directors

Ong Kian Min	(Lead Independent Director)
Leow Ban Tat	(Independent Director)
Paul Tan Poh Lee	(Independent Director)

The Board oversees the business affairs of the Group, sets strategic directions, approves budgets and reviews the Group's performance. The Board is collectively responsible for the long-term success of the Group. Each Director exercises his independent judgement to act in good faith and in the best interest of the Group for the creation of long-term value for shareholders. The Board works with Management to achieve this objective and Management remains accountable to the Board.

In addition to its statutory duties, the principal functions of the Board are to:

1. supervise the overall management of the business and affairs of the Group and approve the Group's corporate and strategic policies and direction;
2. formulate and approve the Group's financial objectives and monitor its performance such as reviewing and approving of results announcements and approving of annual financial statements;
3. approve the Group's annual budgets, major funding proposals, investment/divestment proposals and corporate or financial restructuring;
4. oversee the processes for evaluating the adequacy of internal controls and risk management including the review and approval of interested person transactions;
5. ensure that necessary financial and human capital resources are available for the Group to meet its objectives;
6. review and endorse the framework of remuneration for the Board and key management personnel as recommended by the Remuneration Committee;
7. approve the nominations to the Board of Directors and appointment of key management personnel, as recommended by the Nominating Committee;
8. consider sustainability issues e.g. environmental and social factors, as part of its strategic formulation; and
9. assume responsibility for corporate governance and compliance with the Companies Act, Cap. 50 (the "Companies Act") and the rules and requirements of relevant regulatory bodies.

Delegation of the Board

The Board has delegated specific responsibilities to three committees namely, the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") to assist in the execution of its responsibilities. Each committee has its own written terms of reference which clearly sets out its objectives, duties, powers and responsibilities and which has been amended to be in line with the Code. Minutes of all Board Committees have been circulated to the Board so that Directors are aware of and are kept updated as to the proceedings and matters discussed during the Committees' meetings.

Attendance at Board and Committee Meetings

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The Company's Constitution permits Directors to attend meetings by telephone conference. Between board meetings, important matters concerning the Company are also put to the Board for its decision by way of circulating resolutions in writing for Directors' approval together with supporting memoranda to enable the Directors to make informed decisions.

The attendance of the Directors at meetings of the Board and other Committees during the FY2018 is as follows:

Meetings of:	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of Meetings held:	**4**	**4**	**1**	**1**
Name of Director:	**Attended**	**Attended**	**Attended**	**Attended**
Jeffrey Hing Yih Peir	4	-	1	-
James Tham Tuck Choong	4	-	-	-
Tung May Fong	4	-	-	-
Ong Kian Min	4	4	1	1
Leow Ban Tat	4	4	1	1
Paul Tan Poh Lee	4	4	-	1

In addition to the above, the Independent Directors have also met with the internal auditors and external auditors without the presence of the Executive Directors or Management at least once annually.

Matters Requiring Board Approval

The Board has adopted a set of internal guidelines on matters requiring board approval. Matters that are specifically reserved for the approval of the Board include, among others, any material acquisitions and disposals of assets, corporate or financial restructuring, proposing of dividends, annual budgets, significant legal and financial issues, announceable matters, interested person transactions, appointment of directors and key management staff and other matters as may be considered by the Board from time to time.

Board Orientation and Training

The Board ensures that incoming new Directors are given proper guidance and orientation (including on-site visits to the Group's operational facilities) to familiarise them with the Group's business, operations, financial performance and key management staff of the Group as well as corporate governance practices upon their appointment to facilitate the effective discharge of their duties. A formal letter is sent to each new Director, upon his appointment, setting out the Director's statutory duties and obligations. Newly appointed Directors will be encouraged to attend at the Company's expense, courses relating to the Singapore regulatory environment and audit essentials. Directors have the opportunity to visit the Group's operational sites and to meet Management to gain a better understanding of the Group's business operations. All Directors are also encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are relevant to the Group through the extension of opportunities for participation in relevant training courses, seminars and workshops where applicable, at the Company's expense. The Board as a whole, is updated regularly on risk management, corporate governance and key changes in the relevant regulatory requirements and accounting standards. New releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority which are relevant to the directors are circulated to the Board.

Principle 2: BOARD COMPOSITION & GUIDANCE

The Board and its Committees comprise Directors who as a group provide an appropriate balance and diversity of skills and experience including financial, legal and business management. Each Director provides a valuable network of industry contacts which are considered essential to the Group.

Half of the Board are Independent Directors and all Board Committees are chaired by Independent Directors. This is in compliance with the Code which recommends that independent directors make up at least half the Board where the Chairman is not independent.

There is a strong and independent element on the Board. The Board is able to exercise objective judgement independently from Management and no individual or small group of individuals dominate the decisions of the Board.

The composition of the Board and independence of each Director is reviewed annually by the NC to ensure that the Board has the appropriate mix of expertise and experience to govern and manage the Group's affairs. Each independent director is required to provide an annual confirmation of his independence based on the guidelines as set out in the Code. The Board determines, taking into account the views of the NC, whether a director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect or could affect the director's judgement.

The Board recognises that independent directors may over time develop significant insights in the Group's business and operations and can continue to provide noteworthy and valuable contribution objectively to the Board as a whole. The independence of the independent directors must be based on their substance of their professionalism, integrity and objectivity and not merely based on form such as the number of years which they have served on the Board.

Currently, Mr Ong Kian Min has served on the Board for more than 9 years from the date of his first appointment. After due and careful rigorous review, the Board (with Mr Ong abstaining from the review), with the concurrence of the NC, has determined that Mr. Ong is to be considered independent notwithstanding that he has served on the Board beyond 9 years as he has continued to demonstrate strong independence in character and judgement in the discharge of his responsibility as a Director of the Company. He has continued to express his individual viewpoint, debated issues and objectively scrutinised and challenged Management. He has also sought clarification and amplification as and when necessary and has direct access to the Group's employees and external advisors. Based on his declaration, Mr. Ong does not have relationships or circumstances that are likely to affect or that could affect his judgement that could compromise his independence on board matters.

Taking into account the above and also having weighed the need for Board refreshment against tenure for relative benefit, the Board has resolved that Mr Ong continue to be considered independent director notwithstanding that he has served on the Board for more than 9 years.

In addition, the Board, with the concurrence of the NC, is of the opinion that the Directors, who have been classified as independent under the Board Composition section, are indeed independent in the light of the provisions of the Code and Rule 210(5)(d) of the Listing Manual of the SGX-ST.

During FY2018, the non-executive independent directors constructively challenged and helped management develop proposals on business strategies for the Company and the Group. The non-executive independent directors also reviewed the performance of management in achieving agreed goals and objectives for the Company and the Group and monitor the reporting of performance.

The NC is of the view that the current board size is appropriate taking into account the nature and scope of the Group's operations, the core competency and broad range of industry knowledge and business experience of the Directors to govern and contribute to the effectiveness and success of the Group. The NC reviews the size of the Board from time to time.

In recognition of the importance and value of gender diversity in the composition of the Board, out of the six board members, one is a female director.

Principle 3: ROLE OF CHAIRMAN AND MANAGING DIRECTOR

The roles of the Executive Chairman and the Managing Director are segregated to ensure an appropriate balance and separation of power and authority, increased accountability and clear division of responsibilities.

The Executive Chairman is responsible for the strategic direction of the Group, the workings of the Board and communicating the performance of the Company and the Group to the Board and shareholders. The Managing Director, with the assistance of a team of key management personnel, is responsible for the day-to-day management of the Group and the Group's strategic goals.

The Board has no dissenting view on the Chairman and Managing Director's Joint Letter to Shareholders for the year under review.

To enhance the independence of the Board, Mr. Ong Kian Min, the Lead Independent Director, provides a non-executive perspective and contributes to a balance of viewpoints on the Board. He is the principal liaison on board issues between the Independent Directors and the Executive Directors. Mr. Ong will be available to shareholders with concerns or issues when contact through the normal channels with the Chairman, the Managing Director or the Finance & Administration Director has failed to provide satisfactory resolution or when there is a conflict of interest in such contact.

Principle 4: BOARD MEMBERSHIP

The NC comprises the following three Directors, of whom two are Non-Executive and Independent:-

Leow Ban Tat (Chairman)
Ong Kian Min
Jeffrey Hing Yih Peir

The NC is guided by written terms of reference approved by the Board and its principal functions are to establish a formal and transparent process of:

1. identifying and reviewing candidates and making recommendations to the Board for appointment or re-appointment of members of the Board and of the various Board Committees;
2. determining annually whether or not a Director is independent and whether a Director is able to and has been adequately carrying out his duties as a Director of the Company; and
3. evaluating and assessing the Board's performance to ensure the effectiveness of the Board as a whole and the contributions by each Director to the effectiveness of the Board.

The search and nomination for new directors, if any, will be either from internal promotion or through search companies, contacts and recommendations that go through the normal selection process, to cast the net as wide as possible for the right candidates. When appropriate, new directors are appointed after the NC has reviewed and nominated them for appointment.

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Regulation 92 of the Company's Constitution, one-third of the Directors are to retire from office by rotation and be subject to re-election at the Annual General Meeting ("AGM") of the Company. In addition, Regulation 98 requires a newly appointed director to submit himself for retirement and re-election at the AGM immediately following his appointment. Thereafter, he is subject to retirement by rotation once every three years.

The NC is of the view that whilst it is important for Directors to devote sufficient time and attention to the affairs of the Company, the issue relating to multiple board representations should be left to the judgement and discretion of each Director. The NC noted that based on the attendance at Board and Board Committee meetings during the financial year, all Directors were able to participate in all the meetings to carry out their duties. The NC was therefore satisfied that where a Director had multiple board representations and/or other major commitments, the Director was able to and had been adequately carrying out his duties as a Director of the Company.

The NC has recommended that Mr. James Tham Tuck Choong and Ms. Tung May Fong who are retiring by rotation under Regulation 92 of the Company's Constitution at the forthcoming AGM and being eligible, have offered themselves for re-election, be re-elected. The Board has accepted the recommendation of the NC.

As at 31 December 2018, there is no alternate director on the Board.

Key information on each Director is set out on pages 16 to 17 of this Annual Report.

Principle 5: BOARD PERFORMANCE

The Board, through the delegation of its authority to the NC, has made its best efforts to ensure each Director possesses the experience, knowledge and skills critical to the Group's business. This is necessary to enable the Board to make sound and well-considered decisions. The NC, in considering the nomination of any Director for re-election, will evaluate the performance of the Director involved.

Evaluation of the performance of the Directors and the Board will be undertaken on a continuous basis by the NC with input from other Board members. Renewal or replacement of directors does not necessarily reflect their contribution to date; it may be driven by the need to position and shape the Board in line with the medium-term needs of the Company and its business.

The Board has implemented a process by the NC for assessing the effectiveness of the Board as a whole and is of the view that the performance of the Board as a whole has been satisfactory. The appraisal process focuses on the evaluation of factors such as the size and composition of the Board, the Board's access to information, the Board's processes and accountability, communication with senior Management and the Directors' standard of conduct. The NC discussed the results of the Board's performance evaluation to identify areas where improvements were necessary and made recommendations to the Board for action to be taken. Each member of the NC has abstained from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director.

Principle 6: ACCESS TO INFORMATION

Board members are provided with quarterly management reports and from time to time, they are furnished with all relevant information on material events and transactions to enable them to be fully cognisant of the decisions and actions of the Group's Executive Management. Detailed board papers are prepared for each meeting of the Board. The board papers include sufficient information from Management on financial, business and corporate issues and are normally circulated in advance of each meeting to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Directors are also regularly updated on the business activities of the Group and when there are significant developments or events relating to the Group's business operations. Board members have separate and independent access to Management.

The Directors have separate and independent access to the Company Secretary at all times and they have been provided with the phone numbers and e-mail particulars of the Company Secretary. Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil her/his duties and responsibilities as a Director.

The Company Secretary attends all Board meetings and ensures Board procedures are followed. The Company Secretary is also responsible to ensure that established procedures and all relevant statutes and regulations that are applicable to the Company are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

REMUNERATION MATTERS

Principle 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
Principle 8: LEVEL AND MIX OF REMUNERATION

The RC comprises the following three Directors, all of whom are Non-Executive and Independent:-

Paul Tan Poh Lee (Chairman)
Ong Kian Min
Leow Ban Tat

The RC is guided by written terms of reference approved by the Board and its principal responsibilities are to:

1. review and recommend to the Board a framework of remuneration and associated matters of the key management personnel;
2. review and determine the remuneration package and associated matters of each Executive Director;
3. review and recommend to the members of the Company the remuneration and associated matters of the Non-Executive Directors of the Company; and
4. oversee the administration of the Penguin Share Performance Plan, if appropriate.

The RC reviews, for recommendation to the Board, the specific remuneration packages of Executive Directors and key management personnel as well as subsequent increments and performance bonuses where these payments are discretionary. There are appropriate and meaningful measures in place for the purposes of assessing the performance of Executives Directors and key management personnel.

The Executive Directors' remuneration packages are based on the performance of the Group and the individual. Executive Directors do not receive Directors' fees. Non-Executive Directors are paid Directors' fees, which consist of a basic retainer fee as director and an additional fee for serving on any of the Board Committees. The payment is subject to approval of the shareholders at each AGM. No individual Director is involved in deciding his own remuneration.

In performing its function, the RC endeavours to establish an appropriate remuneration policy to attract, retain and motivate key management personnel and Executive Directors, while at the same time ensuring that the reward in each case takes into account, individual performance as well as corporate performance.

Each Executive Director has entered into separate service agreements with the Company.

The Company does not use any contractual provisions to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duty.

Except as disclosed in the Directors' Statement and Financial Statements, no material contracts (including loans) of the Company or its subsidiaries involving the interests of the Executive Chairman, Managing Director or any Directors or controlling shareholders subsisted at the end of the financial year or had been entered into since the end of the previous financial year.

Principle 9: DISCLOSURE OF REMUNERATION

The Board supports and is aware of the need for transparency. However, after deliberation and debate, the Board is of the view that full disclosure of the specific remuneration of each individual Director and the Group's key management personnel (who are not directors) is not in the best interest of the Company and therefore shareholders. Inter alia, the Board has taken into account the very sensitive nature of the matter, the relative size of the Group, the highly competitive business environment the Group operates in, the competitive pressures in the talent market and the irrevocable negative impact such disclosure may have on the Group.

Details of remuneration and benefits of Directors and key management personnel for the financial year ended 31 December 2018 which will provide sufficient overview of the remuneration of Directors and key management personnel are set out below:-

	Directors' Fees* %	Salary %	Bonus %	Other benefits %	Total %
Executive Directors					
Between $500,000 and $750,000					
James Tham Tuck Choong	-	53	41	6	100
Between $250,000 and $500,000					
Jeffrey Hing Yih Peir	-	56	44	-	100
Tung May Fong	-	62	38	-	100
Non-Executive Directors					
Below $100,000					
Ong Kian Min	100	-	-	-	100
Leow Ban Tat	100	-	-	-	100
Paul Tan Poh Lee	100	-	-	-	100

** Directors' Fees are subject to shareholders' approval at the AGM to be held on 25 April 2019.*

Key Management Personnel

Given the challenging industry conditions, the Company's view on the disclosure in aggregate of the total remuneration paid to the top 5 key management personnel (who are not directors or the CEO) are disclosed only in bands of S$250,000 as such disclosure is not in the best interest of the Company in light of the competitive business environment that the Group operates in as well as the competitive pressures in the talent market. The Company believes that the remuneration information as disclosed below will be sufficient for shareholders to have an adequate appreciation of the remuneration of the key management personnel and wishes to maintain confidentiality of remuneration in the interest of maintaining good morale and a strong spirit of teamwork within the Group.

The profiles of the top 5 key management personnel are found on page 18 to 19 of this Annual Report.

Remuneration Band	No. of Key Management Personnel
Below $250,000	5

Mr. Tung Tak Wai**,** who is the brother of Executive Director, Ms. Tung May Fong, is an employee in a non-managerial position in the Company. His remuneration was between S$50,000 and S$100,000 for the financial year ended 31 December 2018.

The Company does not have any employee share option scheme.

ACCOUNTABILITY & AUDIT

Principle 10: ACCOUNTABILITY

The Board provides shareholders with financial statements for the first three quarters and full year within the timeframe in line with Rule 705 of the Listing Manual of SGX-ST. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group's performance, financial position and prospects.

Management provides the Board with appropriately detailed and up-to-date financial reports and other information on the Group's performance, position, prospects on a regular and timely basis in order that the Board may effectively discharge its duties. The Board is mindful of its obligation to release timely and fair disclosure of material information and does not practise selective disclosure. In line with continuous disclosure obligations of the Company, the SGX-ST's Listing Rules and the Companies Act, the Board's policy is that all shareholders should be informed in a timely and equal manner of all major developments that impact the Group.

Principle 11: RISK MANAGEMENT AND INTERNAL CONTROLS
Principle 13: INTERNAL AUDIT

As the Group does not have a risk management committee, the Board, AC and Management assume the responsibility of the risk management function. Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Board and the AC.

The Board recognises the need and is responsible for maintaining a system of internal controls and processes to safeguard shareholders' investments and the Group's assets. The AC monitors the effectiveness of the internal control systems and procedures and risk management systems. During the year, the Board and AC reviewed the effectiveness of the Company's internal control procedures and risk management systems.

The Group promotes the standardisation of policies, processes and control procedures throughout its operations and has implemented the SAP Accounting Software System throughout the Group since August 2013.

The AC approves the hiring, removal, evaluation and compensation of the internal auditors. The internal audit function is outsourced to Crowe Horwath First Trust Risk Advisory Pte Ltd, an external professional firm. They have been tasked to conduct regular audit of internal control systems of the Group's companies, recommend necessary improvements and enhancements, and report to the AC. The AC reviews and approves the annual internal audit plan. The internal auditor has unrestricted access to documents, records and personnel of the Company and Group. The AC is satisfied that the internal audit function is independent, effective and adequately resourced to perform its function and is staffed by suitably qualified and experienced professionals.

The system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. While acknowledging their responsibility for the system of internal controls, the Directors recognise that such a system is designed to manage, rather than eliminate risks, and therefore cannot provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors or mis-statements, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Assurance has been received from the Managing Director and Finance Director at the financial year-end (a) that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances and (b) the Company's risk management and internal control systems in place are adequate and effective.

Based on the internal controls established and maintained by the Group, work performed by internal audit team, and reviews performed by Management, the Board, with the concurrence of the AC, is of the opinion that the Group's framework of internal controls (including financial, operational, compliance and information technology controls) and risk management systems are adequate and effective to provide reasonable assurance of the integrity and effectiveness of the Group in safeguarding its assets and shareholders' value.

Principle 12: AUDIT COMMITTEE

The AC comprises the following three members, all of whom are Non-Executive and Independent Directors:

Ong Kian Min (Chairman)
Paul Tan Poh Lee
Leow Ban Tat

The profiles of each AC members are set out on page 17 of this Annual Report. The Board is of the view that the members of the AC have the requisite financial management knowledge, expertise and experience to discharge their responsibilities properly.

The AC assists the Board in maintaining a high standard of corporate governance particularly by providing an independent review of the effectiveness of the financial reporting system, management of financial, operational and compliance and information technology controls and monitoring of the internal control systems.

The AC is guided by written terms of reference approved by the Board and meets every quarter and as and when necessary to carry out the following functions:

1. review the scope, audit plans, results and effectiveness of the external and internal auditors;
2. evaluate the adequacy of the internal control systems of the Group by reviewing written reports from the internal and external auditors, and Management's responses and actions to correct any deficiencies;
3. review any appraisal or assessment of the performance of members of the internal audit function;
4. review significant risks or exposures with Management and the external and internal auditors and assess the steps Management has taken to minimise such risks to the Group to safeguard the Group's assets;
5. review the independence of the external auditors annually;
6. review the external auditor's Management letter and Management's response;
7. review the annual and quarterly financial statements and announcements to shareholders to ensure compliance with accounting standards and other legal requirements before submission to the Board for adoption;
8. review related party transactions as may be required by the regulatory authorities or the provisions of the Companies Act; and
9. consider other matters as requested by the Board.

The external auditors have full access to the AC which can conduct or authorise investigations into any matters within its terms of reference. The AC also has full access to and co-operation from Management and the discretion to invite any Director or Executive Officer to attend its meetings and has reasonable resources to enable it to discharge its functions. Minutes of the AC meetings are regularly submitted to the Board for its information and review.

The AC has met with the internal and external auditors separately without the presence of Management for the year in review. In addition, updates on changes in accounting standards and treatment are prepared by the external auditor and circulated to the members of the AC periodically for information.

The AC confirms that it has reviewed the nature and extent of all audit and non-audit services performed by the external auditor, PKF-CAP LLP ("PKF"), to establish if their independence and objectivity had in any way been compromised. PKF did not provide any non-audit services in FY2018. The fees payable to PKF are disclosed on page 73 of this Annual Report.

The AC has also reviewed and confirmed that PKF is a suitable audit firm to meet the Company's audit obligations, having regard to the adequacy of resources and experience of the firm and the assigned audit engagement partner, PKF's other audit engagements, size and complexity of the Penguin Group, the number and experience of supervisory and professional staff assigned to the audit. Accordingly, the AC recommended to the Board the re-appointment of PKF as External Auditor of the Group for the year ending 31 December 2019. PKF has been engaged to audit the accounts of the Company and its Singapore-incorporated subsidiaries. The accounts of the significant foreign-incorporated subsidiaries are audited by PKF member firms in the respective countries.

The Company has complied with Listing Rules 712 of the Listing Rule which requires, amongst other things, that a suitable auditing firm be appointed by the Company having regard to the factors set out therein. The Company has also complied with Rule 715 which requires that the same auditing firm of the Company audits its Singapore-incorporated subsidiaries and significant associated companies and that a suitable auditing firm be engaged for its significant foreign-incorporated subsidiaries and associated companies.

The Company has put in place a Whistle-Blowing Policy for the Penguin Group. The Policy serves to encourage and provide a channel for employees, shareholders, clients, consultants, vendors, contractors and sub-contractors to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The arrangement also ensures independent investigation of such matters and appropriate follow-up actions.

Significant financial statement reporting matters

The significant issues considered by the AC in relation to financial statements during the year ended 31 December 2018 are detailed below, alongside the actions taken by the AC to address these issues.

Significant matters considered	How these issues were addressed by the AC
Assessment of impairment of property, plant and equipment	The AC considered the approach and methodology used by management in assessing the fleet of motor launches which was subjected to an impairment test. The AC discussed the above with the external auditors and reviewed the reasonableness of key assumptions and methodologies used by management as well as by the independent valuer, and was satisfied that these were appropriate. The external auditors have included the assessment of impairment of property, plant and equipment as a key audit matter in their report for the year ended 31 December 2018. This is in page 40 to 41 of the Annual Report.
Revenue recognition measured based on the input method	The AC considered the approach and methodology applied to the revenue recognition for its shipbuilding contracts which is measured based on the input method to the satisfaction of a performance obligation. The AC discussed the above with the external auditors and reviewed the reasonableness of estimates and methodology used by management, and was satisfied that these were appropriate. The external auditors have included revenue recognition using the percentage-of-completion method as a key audit matter in their report for the year ended 31 December 2018. This is in page 41 of the Annual Report.
Assessment of impairment of trade receivables	The AC considered the approach and methodology used by management in assessing the collectability of its trade receivables based on credit loss model to determine if impairment of any of its trade receivables will be required. The AC discussed the above with the external auditors and reviewed the reasonableness of key assumptions and methodologies used by management and was satisfied that these were appropriate. The external auditors have included the assessment of impairment of trade receivables as a key audit matter in their report for the year ended 31 December 2018. This is in page 42 of the Annual Report.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: SHAREHOLDERS' RIGHTS
Principle 15: COMMUNICATION WITH SHAREHOLDERS
Principle 16: CONDUCT OF SHAREHOLDERS MEETINGS

The Group respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure to shareholders in line with continuous disclosure obligations with the Listing Manual of the SGX-ST.

Communication with shareholders and the public is maintained through regular dissemination of information such as announcements on quarterly and full year results, press releases on the SGXNet and the Company's corporate website. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed in a comprehensive, accurate and timely basis via SGXNet especially information pertaining to the Company's business development and financial performance which could have a material impact on the price or value of its shares so as to enable shareholders to make informed decisions in respect of their investments in the Company.

All shareholders of the Company receive reports or circulars of the Company including notices of general meetings by post within the mandatory period. Notices of general meetings are also advertised in newspapers and available on the SGX-ST's website.

All registered shareholders of the Company are invited and encouraged to attend and vote at general meetings. Every matter requiring shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Proxy form is sent with the Notice of meeting to all shareholders. Except for a shareholder who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a shareholder may appoint up to two proxies to attend and vote on his behalf at the general meeting through proxy forms deposited 72 hours before the meeting. Participation of shareholders is encouraged at the AGM through the open question and answer session. The Directors, Management and the external auditor will be available to address any queries or concerns on matters relating to the Company. Meanwhile, the Board has developed several channels, such as the Group's website, email or fax, for shareholders who are not able to attend the AGM to contribute their feedback and inputs regarding the Company and its operations.

To promote greater transparency, the Company has implemented voting by poll for all resolutions at its AGM. This entails shareholders being invited to vote on each resolution by poll thereby allowing all shareholders present or represented at the meeting to vote on a one share, one vote basis. The voting result of all votes cast for, or against, each resolution is then announced at the meeting. The detailed results of the poll voting on each resolution tabled at the AGM, including the number of votes cast for and against each resolution and the respective percentages are announced after the AGM via SGXNet. As authentication of shareholder identity information is a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, facsimile or email.

In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will take into account, inter alia, the Group's financial position, retained earnings, results of operation and cash flow, the ability of the Company's subsidiaries to make dividend payments to the Company, the Group's expected working capital requirements, the Group's expected capital expenditure and future expansion and investment plans and other funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

The Board endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time. The declaration and payment of any dividend will be recommended by the Directors and the final dividend (if any) will be subject to approval by shareholders.

INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that transactions with interested persons are undertaken on an arm's length basis and on normal commercial terms.

The aggregate value of transactions conducted with the following interested persons pursuant to the IPT Mandate was not material (less than S$100,000) during the financial year ended 31 December 2018:

(a) Jeffrey Hing Yih Peir; and
(b) Associates of Jeffrey Hing Yih Peir.

There were no other significant interested person transactions (excluding transactions less than S$100,000) during the financial year ended 31 December 2018.

DEALINGS IN SECURITIES

The Group has put in place an internal compliance code (the "Compliance Code") which prohibits dealings in the securities of the Company by the Company, Directors and employees while in possession of price-sensitive information, and during the two weeks immediately preceding, and up to the time of the announcement of the Company's results for each of the first three quarters of its financial year and during the one month preceding, and up to the time of announcement of the company's results for the full financial year.

The Compliance Code discourages all the Directors and employees of the Group to deal in securities on short-term considerations. Directors are required to report securities dealings within two business days of such dealings, to the Company Secretary, who will assist to make the necessary announcements via the SGXNet.

Directors and all officers are cautioned to observe insider trading regulations at all times.

OTHER DISCLOSURE REQUIREMENTS

There are no material developments after the preliminary announcement that would affect the performance of the Group.

DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of Penguin International Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

OPINION OF THE DIRECTORS

In the opinion of the Directors,

(a) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The Directors of the Company in office at the date of this statement are:

Jeffrey Hing Yih Peir
James Tham Tuck Choong
Tung May Fong
Ong Kian Min
Leow Ban Tat
Paul Tan Poh Lee

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following Directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries), as stated below:

	Held in the name of Directors			Deemed interest		
Name of Director	At the beginning of financial year	At the end of the financial year	At 21 January 2019	At the beginning of financial year	At the end of the financial year	At 21 January 2019
The Company						
Penguin International Limited (Ordinary shares)						
Jeffrey Hing Yih Peir	–	–	–	43,333,549	43,333,549	43,333,549
James Tham Tuck Choong	666,666	666,666	666,666	–	–	–
Tung May Fong	51,500	51,500	51,500	–	–	–

Except as disclosed in this statement, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at date of appointment if later, or at the end of the financial year.

OPTIONS

No options to take up unissued shares of the Company or its subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries. There were no other unissued shares in the Company or its subsidiaries under option at the end of the financial year.

AUDIT COMMITTEE

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50. The functions performed are detailed in the Report on Corporate Governance.

AUDITOR

The auditor, PKF-CAP LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors,

James Tham Tuck Choong
Director

Tung May Fong
Director

15 March 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Penguin International Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Assessment of impairment of property, plant and equipment

The carrying amount of the Group's motor launches as at 31 December 2018 amounted to S$59 million. We have reviewed the impairment loss at group level and noted that no further impairment or reversal of impairment was made for the year ended 31 December 2018. We identified this as a key audit matter as the estimation of the recoverable amount involved significant management judgement and estimation.

Management assessed the recoverable amount of the motor launches based on the fair value less costs to sell. The fair value less costs to sell are determined either by the indicative disposal values based on advice from the independent valuer or by reference to the recent selling prices of motor launches contracted for sale.

KEY AUDIT MATTERS (continued)

Assessment of impairment of property, plant and equipment (continued)

We designed our audit procedures to be responsive to this risk. As part of our audit:

- We performed an evaluation of the group's policies and procedures to identify indicators for potential impairment of motor launches.
- Ensured that management's impairment assessment covered the assets with indicators of impairment.
- For motor launches where the fair value less costs to sell was determined based on the estimated disposal value provided by an independent valuer, we evaluated the work of the independent valuer, considering the independence, objectivity and expertise of the independent valuer, as well as the appropriateness of the valuation methodology and reasonableness of the assumptions used by the independent valuer.
- For motor launches where the fair value less costs to sell was determined with reference to the recent selling prices of motor launches contracted for sale, we assessed the comparability of motor launches to those motor launches contracted for sale.

Revenue recognition measured based on the input method

During the year, the Group's shipbuilding revenue amounting to S$43 million is recognised over time using the input method to measure the progress of satisfaction of the performance obligation.

The determination of the progress towards complete satisfaction of the performance obligation over time involved significant management judgement and estimates as these shipbuilding contracts were measured by reference to the actual completion rate based on actual inputs at reporting date over expected total inputs required to complete the project to derive the progress of the contract work completed.

Given the magnitude of the amount and that the determination of total expected inputs to satisfy the performance obligation required significant management judgement and estimates, we have identified this as a key audit matter.

We designed our audit procedures to be responsive to this risk. As part of our audit:

- We have reviewed the shipbuilding contracts recognised over time entered into by the Group in assessing the performance obligations identified by management and the satisfaction of those performance obligations.
- We have re-computed revenue recognised for the current financial year based on the respective progress of the entity in satisfying the performance obligation of the contract and traced these to the accounting records.
- We evaluated the appropriateness of management's estimation process for the percentage completed at the reporting date through the following:

  (a) We considered the level of competency, expertise and objectivity of the management personnel who performed the assessment;

  (b) We assessed the objectiveness of the criteria employed by management in measuring the level of completion of the relevant activities;

  (c) We tested the inputs used by management in determining the level of completion of the relevant activities of the shipbuilding contracts recognised over time;

  (d) We tested the expected total inputs to the approved budget and subsequent revisions made throughout the project.
- We considered the adequacy of the Group's disclosures in respect of revenue from shipbuilding contracts recognised over time.

KEY AUDIT MATTERS (continued)

Assessment of Impairment of trade receivables

The trade receivables of the Group as at 31 December 2018 amounted to S$20 million. An impairment loss of S$142,000 was recognised during the year due to uncertainty of recoverability. Management has performed an impairment review based on the expected credit loss ("ECL") model and based on the review, there is no additional impairment required.

We identified this as a key audit matter as the assessment of the determination of ECL requires management to exercise significant judgement and estimation. In determining the credit quality and whether any significant increase in credit risk occurs, the standard requires both forward-looking and historical information to be considered.

We designed our audit procedures to be responsive to this risk. As part of our audit:

- We performed an evaluation of the group's policies and procedures in assessing impairment of financial assets.
- We evaluated the impairment assessment performed by management through the following:

  (a) We assessed the credit ratings of the debtors and considered events or indicators which resulted in increase in credit risks of those debtors;

  (b) We evaluated the Group's modification of parameters and assumptions used in the collective impairment model, and compared them with historical loss data for loan portfolios, observable economic data, market information and industry trends.

- We discussed with management and scrutinised the appropriateness of those key assumptions applied in management's impairment assessment, and compared them with available external evidence where appropriate. We also applied sensitivities to underlying key assumptions.

OTHER INFORMATION

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS (continued)

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lee Eng Kian.

PKF-CAP LLP
Public Accountants and
Chartered Accountants

Singapore

15 March 2019

CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 (restated) $'000
Revenue	4	**107,268**	79,761
Cost of sales		**(73,561)**	(60,304)
Gross profit		**33,707**	19,457
Other income	5	**6,711**	4,303
Marketing and distribution costs		**(187)**	(155)
Administrative expenses	6	**(17,767)**	(13,892)
Other operating expenses	7	**(7,917)**	(8,178)
Finance costs	8	**(138)**	(269)
Interest income	8	**1,088**	832
Profit before tax	10	**15,497**	2,098
Tax (expense)/credit	11	**(1,915)**	180
Profit for the year		**13,582**	2,278
Attributable to:			
Owners of the Company		**13,583**	2,279
Non-controlling interests		**(1)**	(1)
Profit for the year		**13,582**	2,278
Earnings per share (cents per share)			
- Basic	12	**6.17**	1.03
- Diluted	12	**6.17**	1.03

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018 $'000	2017 (restated) $'000
Profit for the year	**13,582**	2,278
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Net effect of exchange differences arising from quasi capital non-trade amount due from subsidiaries	**1,646**	(7,138)
Foreign currency translation	**(44)**	(517)
	1,602	(7,655)
Items that will not be reclassified subsequently to profit or loss		
Changes in fair value of equity investment at FVOCI	**(2,443)**	–
Issue of Management Award Share per the investment agreement	**(400)**	–
	(2,843)	–
Other comprehensive income for the year, net of tax	**(1,241)**	(7,655)
Total comprehensive income for the year	**12,341**	(5,377)
Attributable to:		
Owners of the Company	**12,342**	(5,376)
Non-controlling interests	**(1)**	(1)
Total comprehensive income for the year	**12,341**	(5,377)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 31 December 2017 (restated) $'000	Group 1 January 2017 $'000	Company 2018 $'000	Company 31 December 2017 (restated) $'000	Company 1 January 2017 $'000
Non-current assets							
Property, plant and equipment	13	**86,559**	74,100	104,405	**6,373**	10,646	11,284
Investment in subsidiaries	14	**–**	–	–	**19,919**	25,535	25,535
Loan to a subsidiary	20	**–**	–	–	**70,837**	80,373	61,913
Other investments	15	**5,157**	–	–	**5,157**	–	–
Intangible asset	16	**78**	78	78	**–**	–	–
Trade receivables	18	**–**	1,542	1,876	**–**	–	–
Other receivables	19	**8,471**	9,348	2,708	**–**	–	–
Current assets							
Inventories	17	**20,608**	18,906	40,187	**–**	–	–
Trade receivables	18	**20,200**	10,352	8,058	**9,954**	938	928
Other receivables and deposits	19	**7,705**	6,858	4,230	**213**	171	105
Contract assets	25	**14,812**	1,012	–	**6,504**	–	–
Prepayments		**373**	501	338	**75**	160	125
Derivatives		**163**	–	–	**163**	–	–
Loans to subsidiaries	20	**–**	–	–	**12,997**	21,246	32,801
Fixed deposits	21	**31,624**	29,736	12,019	**20,822**	29,638	8,549
Cash and bank balances	21	**10,995**	9,341	6,656	**1,946**	3,727	2,709
		106,480	76,706	71,488	**52,674**	55,880	45,217
Assets classified as held for sale	13	**–**	16,364	6,251	**–**	266	–
		106,480	93,070	77,739	**52,674**	56,146	45,217
Current liabilities							
Trade payables	22	**18,085**	8,422	8,523	**392**	116	143
Other payables and accruals	23	**23,790**	11,630	17,147	**1,721**	1,828	2,052
Provisions	24	**196**	307	641	**117**	–	–
Contract liabilities	25	**4,715**	8,401	409	**–**	8,401	–
Derivatives		**–**	26	–	**–**	26	–
Deferred revenue		**178**	153	160	**178**	153	160
Provision for income tax		**2,606**	837	36	**1,023**	422	5
Term loans	26	**1,000**	2,250	3,360	**–**	–	–
Deposits from subsidiaries	20	**–**	–	–	**33,738**	44,688	28,023
		50,570	32,026	30,276	**37,169**	55,634	30,383
Net current assets		**55,910**	61,044	47,463	**15,505**	512	14,834
Non-current liabilities							
Deferred tax liabilities	28	**2,184**	2,478	3,702	**676**	1,474	1,409
Provisions	24	**1,693**	1,686	169	**1,604**	1,604	104
Term loans	26	**83**	1,083	6,620	**–**	–	–
Net assets		**152,215**	140,865	146,039	**115,511**	113,988	112,053

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2018 (continued)

	Note	Group 2018 $'000	Group 31 December 2017 (restated) $'000	Group 1 January 2017 $'000	Company 2018 $'000	Company 31 December 2017 (restated) $'000	Company 1 January 2017 $'000
Share capital	29	**94,943**	94,943	94,943	**94,943**	94,943	94,943
Retained earnings		**66,170**	53,578	55,174	**23,411**	19,045	17,110
Other reserves	30	**(8,896)**	(7,655)	(4,078)	**(2,843)**	–	–
		152,217	140,866	146,039	**115,511**	113,988	112,053
Non-controlling interests		**(2)**	(1)	–	**–**	–	–
Total equity		**152,215**	140,865	146,039	**115,511**	113,988	112,053

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Company					
	Share capital $'000	**Other reserves** $'000	**Retained earnings** $'000	**Sub-total** $'000	**Non-controlling interests** $'000	**Total equity** $'000
Group						
2018						
Closing balance as at 31 December 2017	94,943	(12,202)	59,076	141,817	(1)	141,816
Adoption of SFRS(I) 1	–	4,644	(4,644)	–	–	–
Adoption of SFRS(I) 15	–	–	(951)	(951)	–	(951)
Effect arising from adoption of SFRS(I) 1	–	(97)	97	–	–	–
Opening balance as restated at 1 January 2018	94,943	(7,655)	53,578	140,866	(1)	140,865
Profit for the year	–	–	13,583	13,583	(1)	13,582
Other comprehensive income						
Net effect of exchange differences arising from quasi capital non-trade amount due from subsidiaries	–	1,646	–	1,646	–	1,646
Foreign currency translation	–	(44)	–	(44)	–	(44)
Issue of Management Award Share per the investment agreement (N15)	–	(400)	–	(400)	–	(400)
Change in fair value of equity investment at FVOCI (N15)	–	(2,443)	–	(2,443)	–	(2,443)
Other comprehensive income for the year, net of tax	–	(1,241)	–	(1,241)	–	(1,241)
Total comprehensive income for the year	–	(1,241)	13,583	12,342	(1)	12,341
Contributions by and distributions to owners						
Dividend paid	–	–	(991)	(991)	–	(991)
Total contributions by and distributions to owners (N34)	–	–	(991)	(991)	–	(991)
Closing balance at 31 December 2018	94,943	(8,896)	66,170	152,217	(2)	152,215

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Attributable to owners of the Company					
	Share capital $'000	Other reserves $'000	Retained earnings $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'000
Group						
2017 (restated)						
Closing balance at 31 December 2016	94,943	(4,078)	55,174	146,039	–	146,039
Adoption of SFRS(I) 1	–	4,644	(4,644)	–	–	–
Opening balance as restated at 1 January 2017	94,943	566	50,530	146,039	–	146,039
Profit for the year	–	–	2,279	2,279	(1)	2,278
Other comprehensive income						
Net effect of exchange differences arising from quasi capital non-trade amount due from subsidiaries	–	(7,138)	–	(7,138)	–	(7,138)
Foreign currency translation	–	(517)	–	(517)	–	(517)
Other comprehensive income for the year, net of tax	–	(7,655)	–	(7,655)	–	(7,655)
Total comprehensive income for the year	–	(7,655)	2,279	(5,376)	(1)	(5,377)
Disposal of property, plant and equipment	–	(566)	769	203	–	203
Closing balance at 31 December 2017	94,943	(7,655)	53,578	140,866	(1)	140,865

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (continued)

	Share capital $'000	Other reserve $'000	Retained earnings $'000	Total equity $'000
Company				
2018				
Closing balance at 31 December 2017	94,943	–	19,359	114,302
Adoption of SFRS(I) 15	–	–	(314)	(314)
Balance as restated at 1 January 2018	94,943	–	19,045	113,988
Profit for the year	–	–	5,357	5,357
Other comprehensive income				
Issue of Management Award Share per the investment agreement (N15)	–	(400)	–	(400)
Change in fair value of equity investment at FVOCI (N15)	–	(2,443)	–	(2,443)
Total comprehensive income for the year	–	(2,843)	5,357	2,514
Contributions by and distributions to owners				
Dividend paid	–	–	(991)	(991)
Total contributions by and distributions to owners (N34)	–	–	(991)	(991)
Closing balance at 31 December 2018	94,943	(2,843)	23,411	115,511
2017 (restated)				
Closing balance at 31 December 2016	94,943	–	17,110	112,053
Adoption of SFRS(I) 15	–	–	–	–
Balance as restated at 1 January 2017	94,943	–	17,110	112,053
Total comprehensive income for the year	–	–	1,935	1,935
Closing balance at 31 December 2017	94,943	–	19,045	113,988

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 (restated) $'000
Operating activities			
Profit before tax		**15,497**	2,098
Adjustments for:			
Depreciation of property, plant and equipment		**8,888**	8,933
Gain on disposal of property, plant and equipment and assets classified as held for sale		**(5,559)**	(3,071)
Interest expense		**69**	229
Interest income		**(1,088)**	(832)
Property, plant and equipment written off		**1**	17
Reversal of impairment on property, plant and equipment and inventories		**(522)**	(937)
Allowance for doubtful trade receivables		**142**	648
Allowance for doubtful other receivables		**3**	–
Net fair value (gain) / loss on derivatives		**(189)**	26
Provision for employee retirement benefits		**7**	17
Provision for warranty claims on shipbuilding contracts, net		**25**	22
Currency alignment		**755**	(161)
Operating cash flows before changes in working capital		**18,029**	6,989
Inventories		**(1,117)**	21,620
Trade receivables		**(8,306)**	(2,608)
Other receivables, deposits and prepayments		**(460)**	(9,444)
Contract assets		**(13,800)**	(1,012)
Trade payables		**9,663**	(101)
Other payables and accruals		**12,160**	(5,517)
Provisions		**(136)**	(356)
Contract liabilities		**(3,686)**	7,992
Deferred revenue		**25**	(7)
Cash flows from operations		**12,372**	17,556
Interest paid		**(69)**	(229)
Interest received		**1,088**	832
Income taxes refund / (paid), net		**33**	(27)
Net cash flows generated from operating activities		**13,424**	18,132

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (continued)

	Note	2018 $'000	2017 (restated) $'000
Investing activities			
Investment in quoted shares		**(8,000)**	–
Proceeds from disposal of property, plant and equipment and assets classified as held for sale		**20,052**	12,778
Additions to property, plant and equipment		**(19,222)**	(2,988)
Net cash flows (used in)/generated from investing activities		**(7,170)**	9,790
Financing activities			
Repayment of term loans		**(2,250)**	(6,647)
Dividend paid		**(991)**	–
Increase in pledged deposits with licensed bank		**(472)**	(836)
Net cash flows used in financing activities		**(3,713)**	(7,483)
Net increase in cash and cash equivalents		**2,541**	20,439
Effect of exchange rate changes on cash and cash equivalents		**512**	(873)
Cash and cash equivalents at 1 January		**37,953**	18,387
Cash and cash equivalents at 31 December	21	**41,006**	37,953

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

Penguin International Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 18 Tuas Basin Link, Singapore 638784.

The principal activities of the Company are: (i) to act as owners and operators of passenger ferries, (ii) to act as designers and builders of search-and-rescue vessels, and (iii) investment holding. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). For all periods up to and including the financial year ended 31 December 2017, the Group prepared its financial statements in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000) except when otherwise indicated.

(i) First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

Comparative information for 1 January 2017 was not presented in the notes to the financial statements as there were no changes from adopting SFRS(I) framework.

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

<u>Exemption applied on adoption of SFRS(I)</u>

SFRS(I) allows first time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemption:

- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result an amount of $4,644,000 was adjusted against the opening retained earnings as at 1 January 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(ii) New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 Financial Instruments

<u>Classification and measurement</u>

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets, either from collecting contractual cash flows, selling financial assets or both and whether the contractual cash flows represent solely payments of principal and interest (SPPI).

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instrument under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

The Group elects to measure its current year acquired quoted equity securities at FVOCI.

<u>Impairment</u>

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired. There is no financial impact arising from this adoption.

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 on 1 January 2018, using the full retrospective transaction method. Accordingly, the Group restated the comparative 2017 results. The opening equity was restated as of 1 January 2017.

The Group has elected practical expedients for completed contracts as at 1 January 2017 and for the disclosure for information about its remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised for the comparative year ended 31 December 2017.

As a result of the implementation of SFRS(I) 15, the Group revised its accounting policies as disclosed in Note 2.21.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(ii) New accounting standards effective on 1 January 2018 (continued)

SFRS(I) 15 Revenue from Contracts with Customers (continued)

The Group is in the business of chartering, shipbuilding and ship repairs and maintenance. The key impact of adopting SFRS(I) 15 is detailed as follows:

<u>Shipbuilding and ship repairs and maintenance</u>

The Group's balance sheet as at 31 December 2017 was restated, resulting in the recognition of contract assets of $1,012,000 and contract liabilities of $8,401,000. The statement of profit or loss for the year ended 31 December 2017 was also restated, resulting in decreases in revenue and cost of sales of $5,590,000 and $4,639,000 respectively. Gross amount due from customers for work-in-progress of $1,066,000 and gross amount due to customers for work-in-progress of $1,568,000 as at 31 December 2017 were reclassified to contract assets and contract liabilities accordingly.

Other than the effects of the matter as described above and the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new financial reporting framework will have no material impact on the financial statements in the year of initial application.

2.2 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
SFRS(I) 16 Leases	1 January 2019
INT SFRS(I) 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 & SFRS 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Except for SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of "low value" assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Standards issued but not yet effective (continued)

SFRS(I) 16 Leases (continued)

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(a) Its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(b) An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- Not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- To apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- To apply a single discount rate to a portfolio of leases with reasonable similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

2.3 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– De-recognises the carrying amount of any non-controlling interest;

– De-recognises the cumulative translation differences recorded in equity;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation and business combinations (continued)

(a) Basis of consolidation (continued)

– Recognises the fair value of the consideration received;

– Recognises the fair value of any investment retained;

– Recognises any surplus or deficit in profit or loss;

– Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another SFRS(I).

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill.

The accounting policy for goodwill is set out in Note 2.7. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.4 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.5 Foreign currency

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currency (continued)

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.7 Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Tug & barges	15 - 20 years
Leasehold buildings	6 - 26 years
Motor launches	15 - 20 years
Machinery and equipment	4 - 15 years
Office equipment	3 - 10 years
Motor vehicles	5 years
Deferred drydocking expenditure	4 years

Assets under construction included in property, plant and equipment are not depreciated as these are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

Deferred drydocking expenditure is carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of deferred drydocking expenditure begins when drydocking is completed and the vessels are available for use.

The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Impairment of non-financial assets (continued)

The Group bases its impairment calculation on market valuations, recent comparable sales, detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.10 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost in accordance or at fair value through other comprehensive income.

<u>Derivatives</u>

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

(ii) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(a) Financial assets (continued)

Subsequent measurement (continued)

(iii) Fair value through other comprehensive income (FVOCI)

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in retained earnings.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(b) Financial liabilities (continued)

Subsequent measurement (continued)

(ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit and loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.11 Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency. Such derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss for the year.

2.12 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Impairment of financial assets (continued)

For trade and other receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on specific identification basis.

– Parts and spares: purchase costs on first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Where there is an increase in net realisable value in subsequent periods, the amount of reversal of any write-down of inventories is recognised in the profit or loss in the period in which the reversal occurs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs required to make the sale.

Work-in-progress in relation to uncompleted vessels and repairs and maintenance projects are stated at cost.

Cost includes all direct materials and labour costs and those indirect costs related to contract performance, such as indirect labour, supplies and tools. Provision is made for anticipated losses on completed contracts, if any, when the possibility of losses is ascertained.

2.15 Contract Balances

Contract balances comprise of contract assets and contract liabilities presented separately in the balance sheets.

Contract assets

Contract assets are recognised when shipbuilding progress has been made based on the percentage of completion in excess of consideration received and progress billings made. Contract assets are subsequently transferred to receivables when progress billings have been made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Contract Balances (continued)

Contract liabilities

Contract liabilities are recognised when progress on shipbuilding has been made based on the percentage of completion in deficit of consideration received and progress billings made. Contract liabilities are subsequently offset when progress on shipbuilding have been made.

A net position of contract asset or contract liability is determined for each contract.

2.16 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Liquidated damages

Provision for liquidated damages is made in respect of anticipated claims from customers on contracts of which deadlines are overdue or not expected to be completed on time in accordance with contractual obligations. The utilisation of provisions is dependent on the timing of claims.

Foreseeable losses

Provision for foreseeable losses is made for anticipated losses on uncompleted contracts, if any, when the possibility of loss is ascertained.

Onerous contracts

Provision for onerous contract is recognised when the expected benefits from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

Warranty provisions

Provision for warranty-related costs are recognised when the product is sold in accordance to the terms stipulated in shipbuilding contracts and in respect of anticipated claims from customers. Initial recognition is based on historical experience. The initial estimate of warranty-related cost is revised annually.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Provisions (continued)

Restoration costs

Provision for restoration costs arose on construction of production facilities on leasehold buildings which are required to be reinstated to their original condition at the end of lease term. Restoration costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of leasehold buildings. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the restoration liability. The unwinding of the discount is expensed as incurred and recognised in profit or loss as a finance cost. The estimated future costs of restoration are reviewed annually and adjusted as appropriate. Changes in estimated future costs or in the discount rate applied are added to or deducted from the cost of leasehold buildings.

2.18 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund Scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

(b) Defined employee retirement benefits

The Group provides provision for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees of a subsidiary, as required under the Indonesian Labor Law No. 13/2003. The said additional provisions, which are unfunded, are estimated using actuarial calculations based on the report prepared by an independent firm of actuary.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

– Service cost

– Interest on the defined benefit liability

– Re-measurements of defined benefit liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Interest on the defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the defined benefit liability. Interest on the defined benefit liability is recognised as expense in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(b) Defined employee retirement benefits (continued)

Re-measurements comprising actuarial gains and losses are recognised immediately in other comprehensive income in the period in which they arise. Re-measurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.19 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.20 Assets classified as held for sale

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. An asset is classified as held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Property, plant and equipment once classified as held for sale are not depreciated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Revenue

Revenue is recognised when the Group satisfies a performance obligation, by transferring a promised good, service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

When the control of the produced good and rendered services is transferred over time to the customer, revenue is recognised over time (i.e. under the percentage of completion method).

The Company transfers control over time when:

– It produces a good with no alternative use and the Company has an irrevocable right to payment (including a reasonable margin) for the work completed to date, in the event of termination of the contract for the convenience of the customer.

– It creates a good which is controlled by the customer as the good is created or enhanced.

– The customer simultaneously receives and consumes the benefits provided by the Company.

When none of the criteria stated above have been met, revenue is recognised at a point in time.

(a) Revenue from shipbuilding and ship repairs and maintenance

Revenue from shipbuilding is recognised either over time or at point in time depending on whether any of the above criteria for recognition of the revenue over time has been met. When any of the above criteria has been met, shipbuilding revenue is recognised over time based on the input method. Revenue from repairs/maintenance are recognised over time.

(b) Revenue from chartering

Revenue from chartering are recognised over time.

(c) Interest income

Interest income is recognised using the effective interest method.

2.22 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Taxes (continued)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– where deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Taxes (continued)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables on the balance sheet.

2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.25 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Government grants

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented as a credit in profit or loss, under "Other income".

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of property, plant and equipment

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use. Management determines recoverable amount based on fair value less costs to sell which is estimated by an independent valuer based on observable market prices less incremental costs of disposing the asset or by reference to recent sales transactions.

The carrying amount of the Group's property, plant and equipment at 31 December 2018 was $86,559,000 (2017: $74,100,000).

Further details of the impairment assessment of property, plant and equipment are stated in Note 13 to the financial statements.

(b) Revenue recognition using the percentage-of-completion method

Revenue from shipbuilding contracts recognised using the percentage-of-completion ("POC") method, management will determine POC based on the input method to measure the stage of satisfaction of a performance obligation.

Actual costs (input) incurred pertaining to the vessels are matched against the budgeted costs to derive the POC of the vessel.

For the financial year ended 31 December 2018, the Group recorded revenue from shipbuilding contracts using the POC method amounting to $43,262,000 (2017: $12,817,000).

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.2 Judgments made in applying accounting policies

In the process of applying the Group's and Company's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Impairment of financial assets

The Group and Company assesses whether there is any objective evidence that a credit loss exists upon initial recognition of the financial asset. Factors such as the financial health and background of the debtor (i.e. country risk and industry trends) are considered during the assessment for impairment of financial assets.

The Group and Company reviews the financial health of their debtors periodically and observes payment trends with consideration of forward-looking information to identify any evidence of credit loss and to provide allowance for impairment accordingly.

(b) Impairment of non-financial assets

The Group and Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. The determination of indicators of impairment requires judgment.

4. REVENUE

Revenue represents income derived from chartering, shipbuilding and ship repairs and maintenance, net of rebates and discounts. Intra-group transactions have been excluded from the Group's revenue.

	Group	
	2018	2017 (restated)
	$'000	$'000
Chartering	**24,728**	21,042
Shipbuilding	**81,525**	56,559
Ship repairs and maintenance	**1,015**	2,160
	107,268	79,761

Transaction price allocated to the remaining non-cancellable performance obligations

The aggregate amount of the transaction price allocated to the remaining non-cancellable performance obligation is $37,591,000 and the Group expects to recognise this revenue within the next 11 years.

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

5. OTHER INCOME

	Group	
	2018	2017 (restated)
	$'000	$'000
Gain on disposal of property, plant and equipment and assets classified as held for sale	**5,559**	3,071
Scrap sales	**311**	139
Grant received	**54**	73
Reversal of impairment loss on property, plant and equipment (Note 13)	**–**	837
Reversal of impairment loss on inventories (Note 17)	**522**	100
Others	**265**	83
	6,711	4,303

6. ADMINISTRATIVE EXPENSES

	Group	
	2018 $'000	2017 $'000
Included in administrative expenses are the following:		
Audit fees:		
- Auditor of the Company	**(110)**	(234)
- Other auditors	**(22)**	(32)
Non-audit fees:		
- Auditor of the Company	**–**	(97)
- Other auditors	**–**	(24)
Depreciation of property, plant and equipment (Note 13)	**(2,975)**	(2,191)
Employee benefits expense (Note 9)	**(11,159)**	(8,733)
Legal fees	**(38)**	(55)
Professional fees	**(829)**	(270)
Property, plant and equipment written off (Note 13)	**(1)**	(17)
Operating lease expense	**(524)**	(492)
Water and electricity	**(306)**	(210)
Transportation	**(195)**	(181)

7. OTHER OPERATING EXPENSES

	Group	
	2018 $'000	2017 $'000
Included in other operating expenses are the following:		
Depreciation of property, plant and equipment (Note 13)	**(5,351)**	(6,348)
Net foreign exchange loss	**(1,279)**	(184)
Allowance for doubtful trade receivables (Note 18)	**(142)**	(648)
Allowance for doubtful other receivables	**(3)**	–
Insurance expense	**(625)**	(648)
Net fair value gain/(loss) on derivatives	**189**	(26)

8. FINANCE COSTS/INTEREST INCOME

	Group 2018 $'000	Group 2017 $'000
Bank charges	**(69)**	(40)
Interest expense on term loans	**(69)**	(229)
	(138)	(269)
Interest income from short term deposits and bank balances	**413**	230
Interest income from customers under deferred payment arrangement	**675**	602
	1,088	832

9. EMPLOYEE BENEFITS

	Group 2018 $'000	Group 2017 (restated) $'000
Wages, salaries and bonuses	**(14,877)**	(11,805)
Central Provident Fund contributions	**(1,884)**	(1,614)
Other short-term benefits	**(1,850)**	(1,270)
	(18,611)	(14,689)
Included in profit or loss:		
Administrative expenses (Note 6)	**(11,159)**	(8,733)
Cost of sales	**(7,377)**	(5,579)
	(18,536)	(14,312)
Capitalised in balance sheet:		
Inventories	**(75)**	(377)
	(18,611)	(14,689)

The above employee benefits include key management personnel compensation (other than independent director fees) as disclosed in Note 31(b).

10. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group 2018 $'000	Group 2017 (restated) $'000
Inventories recognised as an expense in cost of sales (Note 17)	**(63,767)**	(51,562)
Provision for warranty claims, net (Note 24)	**(25)**	(22)
Operating lease expense (Note 27(c))	**(2,508)**	(1,256)

11. INCOME TAX (EXPENSE)/CREDIT

Major components of income tax (expense)/credit

The major components of income tax (expense)/credit for the years ended 31 December 2018 and 2017 are:

	Group 2018 $'000	Group 2017 $'000
Consolidated income statement:		
Current tax		
- Current year tax expense	**(2,608)**	(773)
- Over/(under) provision in respect of previous years	**400**	(68)
Deferred tax		
- Movement in temporary differences	**374**	706
- (Under)/over provision in respect of previous years	**(81)**	315
Income tax (expense)/credit recognised in the consolidated income statement	**(1,915)**	180

Relationship between tax (expense)/ credit and accounting profit

A reconciliation between the tax (expense)/ credit and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 is as follows:

	Group 2018 $'000	Group 2017 (restated) $'000
Profit before taxation	**15,497**	2,098
Tax (expense)/ credit at the domestic rates applicable to profits in the countries where the Group operates	**(1,857)**	276
Tax effect of expenses not deductible	**(661)**	(403)
Tax effect of income not subject to tax	**308**	366
Over provision in respect of previous years	**319**	247
Utilisation of deferred tax assets previously not recognised	**77**	199
Deferred tax assets not recognised	**(248)**	(786)
Enhanced tax deduction	**3**	119
Effect of partial tax exemption and tax relief	**144**	180
Others	**–**	(18)
Income tax (expense)/credit recognised in the consolidated income statement	**(1,915)**	180

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

12. EARNINGS PER SHARE COMPUTATION

Basic earnings per share are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2018	2017 (restated)
	$'000	$'000
Profit for the year attributable to owners of the Company used in the computation of basic and diluted earnings per share	**13,583**	2,279
Weighted average number of ordinary shares used in the computation of basic and diluted earnings per share	**220,170**	220,170

13. PROPERTY, PLANT AND EQUIPMENT

Group	Tug and barges $'000	Leasehold buildings $'000	Motor launches $'000	Machinery and equipment $'000	Office equipment $'000	Motor vehicles $'000	Construction in progress $'000	Deferred drydocking expenditure $'000	Property, plant and equipment $'000
Cost									
At 1 January 2017	1,450	27,595	118,520	12,263	5,333	483	–	917	166,561
Additions	–	1,527	176	222	335	167	578	1,483	4,488
Transfers to inventories	–	–	(237)	–	–	–	–	–	(237)
Disposals	–	–	(6,790)	(19)	(33)	(110)	–	(639)	(7,591)
Written off	–	–	–	(134)	(42)	–	–	–	(176)
Transfers to assets held for sale	–	–	(19,555)	(445)	–	–	–	(340)	(20,340)
Net exchange difference	(22)	(1,124)	(6,711)	(176)	(32)	(7)	–	5	(8,067)
At 31 December 2017 and 1 January 2018	1,428	27,998	85,403	11,711	5,561	533	578	1,426	134,638
Additions	–	106	8,425	504	282	80	8,349	1,476	19,222
Transfers to inventories	–	–	(65)	–	–	–	–	–	(65)
Transfer	–	–	578	–	–	–	(578)	–	–
Disposals	–	–	(5,726)	–	(5)	(9)	–	(400)	(6,140)
Written off	–	–	–	(1)	(1)	–	–	–	(2)
Transfers from assets held for sale	–	–	3,920	–	–	–	–	–	3,920
Net exchange difference	(11)	(538)	1,223	(68)	(17)	(3)	2	(73)	515
At 31 December 2018	1,417	27,566	93,758	12,146	5,820	601	8,351	2,429	152,088

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)	Tug and barges $'000	Leasehold buildings $'000	Motor launches $'000	Machinery and equipment $'000	Office equipment $'000	Motor vehicles $'000	Construction in progress $'000	Deferred drydocking expenditure $'000	Property, plant and equipment $'000
Accumulated depreciation and impairment loss									
At 1 January 2017	603	11,543	36,481	8,417	4,300	419	–	393	62,156
Charge for the year	30	1,664	5,858	460	472	55	–	394	8,933
Disposals	–	–	(3,523)	(5)	(32)	(110)	–	(368)	(4,038)
Reversal of impairment loss for the year	–	–	(837)	–	–	–	–	–	(837)
Written off	–	–	–	(119)	(40)	–	–	–	(159)
Transfers to assets held for sale	–	–	(3,458)	(178)	–	–	–	(340)	(3,976)
Net exchange difference	(6)	(267)	(1,182)	(58)	(24)	(9)	–	5	(1,541)
At 31 December 2017 and 1 January 2018	627	12,940	33,339	8,517	4,676	355	–	84	60,538
Charge for the year	30	2,394	4,886	435	525	56	–	562	8,888
Disposals	–	–	(3,764)	–	(3)	(9)	–	(400)	(4,176)
Written off	–	–	–	(1)	–	–	–	–	(1)
Transfers from assets held for sale	–	–	218	–	–	–	–	–	218
Net exchange difference	(3)	(145)	345	(32)	(13)	(2)	–	(88)	62
At 31 December 2018	654	15,189	35,024	8,919	5,185	400	–	158	65,529
Net carrying amount									
At 31 December 2017	801	15,058	52,064	3,194	885	178	578	1,342	74,100
At 31 December 2018	763	12,377	58,734	3,227	635	201	8,351	2,271	86,559

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Leasehold buildings $'000	Motor launches $'000	Machinery and equipment $'000	Office equipment $'000	Motor vehicles $'000	Deferred drydocking expenditure $'000	Property, plant and equipment $'000
Cost							
At 1 January 2017	13,331	19,696	582	2,501	109	860	37,079
Additions	1,519	–	23	222	166	237	2,167
Disposals	–	(2,054)	(15)	(24)	(110)	(697)	(2,900)
Transfers to asset held for sale	–	(1,407)	(445)	–	–	–	(1,852)
At 31 December 2017 and 1 January 2018	14,850	16,235	145	2,699	165	400	34,494
Additions	–	–	52	80	–	–	132
Disposals	–	(5,726)	(17)	(3)	–	(400)	(6,146)
At 31 December 2018	14,850	10,509	180	2,776	165	–	28,480
Accumulated depreciation and impairment loss							
At 1 January 2017	8,125	14,942	203	1,820	109	596	25,795
Charge for the year	996	641	55	303	30	178	2,203
Disposals	–	(2,054)	(2)	(24)	(110)	(374)	(2,564)
Transfers to asset held for sale	–	(1,407)	(179)	–	–	–	(1,586)
At 31 December 2017 and 1 January 2018	9,121	12,122	77	2,099	29	400	23,848
Charge for the year	1,580	452	11	350	33	–	2,426
Disposals	–	(3,764)	–	(3)	–	(400)	(4,167)
At 31 December 2018	10,701	8,810	88	2,446	62	–	22,107
Net carrying amount							
At 31 December 2017	5,729	4,113	68	600	136	–	10,646
At 31 December 2018	4,149	1,699	92	330	103	–	6,373

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Assets pledged as security

The carrying amounts of property, plant and equipment pledged to secure banking facilities are as follows:

	Group		Company	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Motor launches	**5,460**	10,213	**–**	2,098

Impairment assessment of assets

During the year, the Group and the Company carried out a review of the recoverable amount of certain motor launches which were underutilised. Impairment losses amounting to $ NIL (2017: reversal of impairment loss of $837,000) in relation to motor launches have been recognised in other operating expenses (2017: other income) line item of the consolidated income statement. The recoverable amounts of the motor launches were based on management's estimate of their respective fair values less costs to sell, which were determined based on the estimated selling price of comparable motor launches held-for-sale as at 31 December 2018 and valuations performed by an independent valuer.

Assets classified as held for sale

As at 31 December 2017, the Group and the Company were in the midst of finalising the sale arrangement with buyers for the disposal of certain motor launches. Accordingly, the carrying amounts of these vessels were classified as assets held for sale.

	Group		Company	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Assets classified as held for sale	**–**	16,364	**–**	266

Assets under construction

The Group's construction in progress of $8,351,000 (2017: $578,000) relates to expenditure for motor launches in the course of construction.

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 $'000	2017 $'000
Unquoted equity shares, at cost	**32,476**	32,476
Impairment losses	**(12,557)**	(6,941)
Total investment in subsidiaries	**19,919**	25,535
An analysis of movement in impairment loss on investment in subsidiaries is as follows:		
At beginning of year	**6,941**	6,941
Allowance for impairment loss	**5,616**	–
At end of year	**12,557**	6,941

The allowance for impairment loss is due to recoverable amount of the investment was projected below the company investment, and the management has provided the impairment based on the cost of investment in the subsidiaries exceeds their net tangible asset values.

Name	Principal activities	Country of incorporation	Ownership interest held by the Company		Cost of investment	
			2018 %	2017 %	**2018 $'000**	2017 $'000
Held by the Company						
Penguin Shipyard International Pte Ltd[(1)]	Builders of Flex crewboats, passenger ferries and launches and provision of related repairs and maintenance services	Singapore	**100**	100	**5,000**	5,000
Penguin Shipyard Asia Pte Ltd[(1)]	Builders of Flex crewboats, passenger ferries and launches	Singapore	**100**	100	**2,000**	2,000
Pelican Offshore Services Pte Ltd[(1)]	Management and operation of Flex crewboats and fast supply intervention vessels	Singapore	**100**	100	**18,435**	18,435
POS Gallant Pte Ltd[(4)]	Dormant	Singapore	**100**	100	**100**	100

14. INVESTMENT IN SUBSIDIARIES (continued)

Name	Principal activities	Country of incorporation	Ownership interest held by the Company 2018 %	Ownership interest held by the Company 2017 %	Cost of investment 2018 $'000	Cost of investment 2017 $'000
Held by the Company						
Pelican Offshore Worldwide Pte Ltd[1]	Investment holding	Singapore	**100**	100	**100**	100
Penguin Marine Services Pte Ltd[1]	Provision of project management services	Singapore	**100**	100	**500**	500
Pelican Ship Management Servies Pte Ltd[1]	Provision of ship management services	Singapore	**100**	100	**1,107**	1,107
Soon Tian Oon Pte Ltd[4]	Dormant	Singapore	**100**	100	**231**	231
Penguin Marine Offshore Services Pte Ltd[4]	Dormant	Singapore	**100**	100	**5,003**	5,003
					32,476	32,476

Name	Principal activities	Country of incorporation	Ownership interest held by subsidiaries 2018 %	Ownership interest held by subsidiaries 2017 %
Held through subsidiaries				
PKS Shipyard Pte Ltd[1]	Investment holding	Singapore	**100**	100
PT Kim Seah Shipyard Indonesia[2]	Builders of Flex crewboats, passenger ferries and launches and provision of related repairs and maintenance services	Indonesia	**100**	100
POS Grace Pte Ltd[1]	Management and operation of Flex crewboats	Singapore	**100**	100
Pelican Offshore Malaysia Corp[2] [3]	Management and operation of Flex crewboats	Malaysia	**49**	49

14. INVESTMENT IN SUBSIDIARIES (continued)

Name	Principal activities	Country of incorporation	Ownership interest held by subsidiaries 2018 %	Ownership interest held by subsidiaries 2017 %
Held through subsidiaries				
Flex Fleet Sdn Bhd[2]	Management and operation of Flex crewboats	Malaysia	**100**	100
POS Victory Pte Ltd[1]	Management and operation of fast supply intervention	Singapore	**100**	100
POS Glow Pte Ltd[1]	Management and operation of Flex crewboats	Singapore	**100**	100
Penguin Transporter Pte Ltd[1]	Management and operation of Landing Craft	Singapore	**100**	100
Victory Marine Services Sdn Bhd[2]	Dormant	Malaysia	**70**	70

(1) Audited by PKF-CAP LLP, Singapore.

(2) Audited by member firms of PKF International.

(3) The Group consolidates 100% of the results of Pelican Offshore Malaysia Corp ("POMC") as it controls and has beneficial interest in all of POMC's results and operations.

(4) Not required to be audited under the law of country of incorporation.

15. OTHER INVESTMENTS

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Unquoted equity shares	**287**	287	**287**	287
Impairment losses	**(287)**	(287)	**(287)**	(287)
	–	–	**–**	–
Quoted equity shares	**8,000**	–	**8,000**	–
Changes in fair value of equity investment at FVOCI	**(2,443)**	–	**(2,443)**	–
Issue of Management Award Share per the investment agreement	**(400)**	–	**(400)**	–
	5,157	–	**5,157**	–
Total other investments	**5,157**	–	**5,157**	–

The Company has set aside a total of 42,857,142 Management Award Shares for the purposes of the Marco Polo Marine Ltd's management share award plan. The first tranche of 14,285,714 Management Award Shares has been awarded following the signing of service agreements by two key members of Marco Polo Marine Ltd's management.

The remaining 28,571,428 Management Award Shares are subject to the fulfilment of the criteria mentioned in the service agreements. As at 31 December 2018, the criteria have not been met and its value is included as part of the $5,157,000.

16. INTANGIBLE ASSET

	Goodwill $'000
Group	
Cost	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	291
Accumulated impairment loss	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	(213)
Net carrying amount	
At 31 December 2017 and 31 December 2018	78

Goodwill on consolidation arose from the acquisition of PT Kim Seah Shipyard Indonesia during the financial year ended 31 December 2006. The goodwill amount was determined based on the fair value of the net assets acquired less the purchase consideration paid on the date of purchase. The goodwill has been allocated to PT Kim Seah Shipyard Indonesia as a cash generating unit (CGU) for impairment testing.

No impairment loss for goodwill was required for the financial year ended 31 December 2018.

17. INVENTORIES

	Group 2018 $'000	Group 2017 (restated) $'000
Balance sheet:		
Parts and spares (at lower of cost or net realisable value)	**3,413**	6,543
Work-in-progress (at lower of cost or net realisable value)	**17,195**	12,363
	20,608	18,906
Income statement:		
Inventories recognised as an expense in cost of sales (Note 10)	**63,767**	51,562
Reversal of impairment loss on inventories recognised in other income (Note 5)	**522**	100

The current year reversal of impairment loss on inventories is due to the disposal of inventory subsequent to year end of which were previously impaired.

18. TRADE RECEIVABLES

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Current:				
Trade receivables	**21,540**	11,565	**9,954**	938
Allowance for impairment loss	**(1,340)**	(1,213)	**–**	–
	20,200	10,352	**9,954**	938
Non-current:				
Trade receivables	**–**	1,542	**–**	–
Total trade receivables	**20,200**	11,894	**9,954**	938

Current trade receivables are generally on 30 days' term and are non-interest bearing, except for an amount of $1,542,000 (2017: $3,842,000) included in the Group's trade receivables which pertains to shipbuilding sales under deferred payment arrangement. They are recognised at original invoice amounts which represent their fair values on initial recognition.

Non-current trade receivables pertain to shipbuilding sales under deferred payment arrangement. Trade receivables pertaining to deferred payment arrangement are unsecured, bear interest at 5.15% (2017: 5.15%) and are repayable through monthly instalments.

18. TRADE RECEIVABLES (continued)

Receivables that are past due but not impaired

The Group and Company have trade receivables amounting to $11,196,000 (2017: $3,075,000) and $4,518,000 (2017: $150,000) respectively that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group		Company	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Less than 30 days	**7,602**	794	**4,504**	143
30 to 60 days	**1,582**	752	**–**	2
61 to 90 days	**698**	783	**5**	–
91 to 365 days	**1,314**	746	**9**	5
	11,196	3,075	**4,518**	150

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance account used to record the impairment is as follows:

	Group Individually impaired	
	2018 $'000	2017 $'000
Trade receivables	**1,340**	1,213
Less: Allowance for impairment loss	**(1,340)**	(1,213)
	–	–
Movement in allowance account:		
At 1 January	**1,213**	1,904
Charge to the profit or loss account	**142**	648
Written off	**(25)**	(1,302)
Exchange difference	**10**	(37)
At 31 December	**1,340**	1,213

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

19. OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Current:				
Financial assets				
Other receivables	**2,460**	3,706	**53**	27
Deposits	**385**	303	**142**	144
Insurance claims	**418**	366	**2**	–
	3,263	4,375	**197**	171
Non-financial assets				
Advance payments for shipbuilding supplies	**4,372**	1,685	**–**	–
Others	**70**	798	**16**	–
	4,442	2,483	**16**	–
Total current other receivables and deposits	**7,705**	6,858	**213**	171
Non-current:				
Financial assets				
Other receivables	**8,471**	9,348	**–**	–
Total other receivables and deposits	**16,176**	16,206	**213**	171

Included in the Group's current other receivables is an amount of $1,601,000 (2017: $1,524,000) which pertains to sale of vessels (property, plant and equipment) under deferred payment arrangement.

Non-current other receivables pertain to sale of vessels (property, plant and equipment) under deferred payment arrangement. The amounts are secured against the vessels, bear interest ranging from 4.35% to 6.30% (2017: 4.35% to 6.30%) and are repayable through monthly instalments. The arrangements will end from the year 2020 to 2021.

20. LOANS TO SUBSIDIARIES / DEPOSITS FROM SUBSIDIARIES

	Company	
	2018	2017 (restated)
	$'000	$'000
Loan to a subsidiary (non-current)	**70,837**	80,373
Loans to subsidiaries (current)	**12,997**	21,246
Deposits from subsidiaries (current)	**33,738**	44,688

The loan to a subsidiary (non-current) has been designated by the Company as part of the net investment in the subsidiary. The amount is unsecured, bear interest of 2.50% to 3.16% (2017: 2.21% to 2.63%) per annum, has no repayment terms and is repayable only when the cash flows of the subsidiary permit.

Loans to subsidiaries (current) are unsecured, bear interest of 2.50% to 3.16% (2017: 2.21% to 2.63%) per annum and are repayable on demand.

Loans to subsidiaries (current) are stated after deducting an allowance for impairment loss of $33,413,000 (2017: $30,657,000).

	Company	
	2018	2017
	$'000	$'000
Movement in allowance account:		
At 1 January	**30,657**	30,774
Charge to the profit or loss account	**5,468**	1,900
Reversal of over provision in prior years	**(2,712)**	(2,017)
At 31 December	**33,413**	30,657

Deposits from subsidiaries are unsecured, bear interest of 1.39% to 1.86% (2017: 0.62% to 1.23%) per annum and are repayable on demand. Included in deposits from subsidiaries of the Company is $18,229,000 (2017: $11,553,000) denominated in United States Dollar.

21. CASH AND BANK BALANCES AND FIXED DEPOSITS

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Cash and bank balances	**10,995**	9,341	**1,946**	3,727
Fixed deposits	**31,624**	29,736	**20,822**	29,638
	42,619	39,077	**22,768**	33,365

Cash at banks earns interest at floating rates based on daily bank deposit rates. Fixed deposits are made for varying periods of between 1 week and 6 months (2017: 1 week and 6 months), mostly less than 3 months depending on the immediate cash requirements of the Group and the Company, and earn interest ranging from 1% to 2.4% (2017: 0.7% to 1.3%) per annum.

Bank balances and fixed deposits of $1,613,000 (2017: Bank balances of $1,124,000) are pledged with licensed banks for banking facilities granted to the Group.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following as at 31 December:

	Group	
	2018	2017
	$'000	$'000
Cash and bank balances (excluding pledged bank balances)	**10,707**	8,217
Fixed deposits (excluding pledged bank balances)	**30,299**	29,736
Cash and cash equivalents	**41,006**	37,953

22. TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 60-day terms.

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Financial liabilities				
Accrued operating expenses	**17,279**	9,505	**1,496**	1,238
Advance payments and deposits received (refundable)	**685**	88	**4**	4
Advance billings	**18**	83	**–**	–
Other payables	**852**	811	**221**	459
	18,834	10,487	**1,721**	1,701
Non-financial liabilities				
Advance payments and deposits received (non-refundable)	**4,956**	1,143	**–**	127
Total other payables and accruals	**23,790**	11,630	**1,721**	1,828

24. PROVISIONS

	Group		Company	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Current:				
Provision for warranty claims	**196**	307	**117**	–
Non-current:				
Provision for restoration cost	**1,604**	1,604	**1,604**	1,604
Provision for employee retirement benefits	**89**	82	**–**	–
	1,693	1,686	**1,604**	1,604

Provision for warranty claims

Movement in provision for warranty claims during the year is as follows:

	Group	
	2018 $'000	2017 $'000
At 1 January	**307**	641
Additions during the year	**214**	154
Reversals during the year	**(189)**	(132)
Utilisation during the year	**(136)**	(356)
At 31 December	**196**	307

The provision for warranty claims is in relation to shipbuilding contracts. The amount for warranty claim is estimated by management based on past experience and expectations of the costs of possible repairs and rectifications.

Provision for restoration cost

Movement in provision for restoration cost during the year is as follows:

	Group	
	2018 $'000	2017 $'000
At 1 January	**1,604**	104
Additions during the year	**–**	1,500
At 31 December	**1,604**	1,604

The provision for restoration cost is recognised for expected cost required to be incurred to reinstate the leased lands to their original condition. The provision amount was determined by management based on recent quotations from contractors. Management is of the view that the provision recorded is adequate to cover the costs of restoration.

24. PROVISIONS (continued)

Provision for employee retirement benefits

A subsidiary in Indonesia provides defined retirement benefits for its employees who achieve the retirement age based on the provisions of Labour Law No. 13/2003 in Indonesia dated 25 March 2003. The benefits are unfunded.

The following table summarises the components of defined retirement benefits expense recognised in profit or loss and provision for employee retirement benefits recognised in the balance sheets as of 31 December 2018, as determined by an independent actuary.

(a) Defined retirement benefits expense recognised in profit or loss comprises of the following:

	Group	
	2018 $'000	2017 $'000
Current service cost	**6**	12
Interest cost	**1**	5
Total defined retirement benefits expense	**7**	17
Presented in profit or loss as:		
Cost of sales	**7**	17

(b) Provision for employee retirement benefits consists of the following:

	Group	
	2018 $'000	2017 $'000
Present value of employee benefits obligation	**89**	82

The principal assumptions used in determining the employee retirement benefit expense are as follows:

	Group	
	2018	2017
Retirement age	**55**	55
Discount rate	**8%**	8%
Mortality rate	**TMI 2011**	TMI 2011
Method	**Projected unit credit**	Projected unit credit

Movement in the provision for employee retirement benefits is as follows:

	Group	
	2018 $'000	2017 $'000
At 1 January	**82**	65
Provision made during the year	**7**	17
Foreign currency translation	**–**	–
At 31 December	**89**	82

25. CONTRACT BALANCES

	Group		Company	
	2018	2017 (restated)	**2018**	2017 (restated)
	$'000	$'000	**$'000**	$'000
Contract assets	**14,812**	1,012	**6,504**	–
Contract liabilities	**(4,715)**	(8,401)	**–**	(8,401)

Contract assets/(liabilities) refer to progress billings in relation to shipbuilding contracts in deficit/(excess) of their corresponding revenue.

Significant changes in the contract assets and the contract liabilities balances during the year are as follows:

	Group Contract liabilities		Company Contract liabilities	
	2018	2017 (restated)	**2018**	2017 (restated)
	$'000	$'000	**$'000**	$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**8,401**	–	**8,401**	–

	Group Contract assets		Company Contract assets	
	2018	2017 (restated)	**2018**	2017 (restated)
	$'000	$'000	**$'000**	$'000
Contract asset reclassified to trade receivables	**(1,012)**	–	**–**	–

26. TERM LOANS

	Group	
	2018	2017
	$'000	$'000
Current:		
Bank loan I	**1,000**	1,000
Bank loan II	**–**	1,250
	1,000	2,250
Non-current:		
Bank loan I	**83**	1,083
Bank loan II	**–**	–
	83	1,083
Total bank loans	**1,083**	3,333

Bank loan I
This loan bears interest of 3.50% to 4.26% (2017: 3.21% to 3.63%) and is repayable through monthly instalments.

Bank loan II
This loan bears interest of 3.46% to 3.56% (2017: 3.21% to 3.46%) and is repayable through monthly instalments and was fully repaid during the year.

The Group's loan from the bank is secured by way of:

(a) first mortgage over motor launch of a subsidiary;

(b) an assignment of charter earning in respect of mortgaged motor launch;

(c) an assignment of insurance policies in respect of mortgaged motor launch; and

(d) corporate guarantee by the Company.

Reconciliation of liabilities arising from financing activities

	1 January 2018	Financing cash flows	31 December 2018
	$'000	$'000	$'000
Term loans	3,333	(2,250)	1,083

27. COMMITMENTS

(a) *Capital commitments*

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		Company	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Capital commitments in respect of property, plant and equipment	**591**	14	**–**	–

(b) *Other commitments*

Expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		Company	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Commitments in respect of shipbuilding costs	**30,987**	19,737	**–**	–

(c) *Non-cancellable operating lease commitments – as lessee*

The Group and the Company entered into commercial leases for office premises. These leases have an average life of between 1 and 26 years with no escalation clauses included in the contracts. There are no restrictions placed upon the Group or the Company by entering into these leases. Operating lease payments including ad-hoc lease payments recognised as an expense in profit or loss during the year amounted to $2,508,000 (2017: $1,256,000).

Future minimum lease payments under non-cancellable operating leases as at end of the reporting period are as follows:

	Group		Company	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Future minimum lease payments				
- not later than 1 year	**907**	857	**474**	464
- later than 1 year but not later than 5 years	**696**	1,196	**578**	1,027
	1,603	2,053	**1,052**	1,491

27. COMMITMENTS (continued)

(d) *Continuing financial support*

The Company has undertaken to provide continuing financial support to fourteen (2017: thirteen subsidiaries) of its subsidiaries to enable them to operate as going concern and to meet their obligations for at least 12 months from the date of their respective directors' report relating to the 31 December 2018 financial statements. The subsidiaries are Penguin Marine Offshore Services Pte Ltd, Penguin Marine Services Pte Ltd, PKS Shipyard Pte Ltd, Pelican Ship Management Services Pte Ltd, POS Gallant Pte Ltd, Pelican Offshore Worldwide Pte Ltd, Flex Fleet Sdn Bhd, POS Grace Pte Ltd, POS Glow Pte Ltd, POS Victory Pte Ltd, Penguin Transporter Pte Ltd, PT Kim Seah Shipyard Indonesia, Victory Marine Services Sdn Bhd and Pelican Offshore Malaysia Corporation.

28. DEFERRED TAX LIABILITIES

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance sheet	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
Deferred tax liabilities						
Differences in depreciation	**(2,184)**	(2,478)	**294**	1,021	**(676)**	(1,474)
	(2,184)	(2,478)	**294**	1,021	**(676)**	(1,474)

During the year, three subsidiaries (2017: three subsidiaries) transferred $3,942,000 (2017: $5,001,000) of their current year tax losses and capital allowances to be deducted against the assessable income of the company (2017: two subsidiaries) pursuant to the Group Relief Scheme, subject to compliance with the relevant rules and procedures and agreement of the Inland Revenue Authority of Singapore. The tax savings arising from the application of Group Relief amounted to approximately $670,000 (2017: $850,000).

At the balance sheet date, the Group has unutilised tax losses and capital allowances of approximately $20,662,000 (2017: $18,443,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses and capital allowances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses and capital allowances have no expiry date except for amounts of $18,400,000, $73,000 and $1,947,000 (2017: $2,745,000 and $75,000) which will expire in 2025, 2023 and 2022 (2017: 2022 and 2021), respectively.

Tax consequences of proposed dividends

There are no income tax consequences attached to dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 34).

Unrecognised temporary differences relating to investments in subsidiaries

There is no deferred tax liability (2017: NIL) recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $6,480,000 (2017: $4,235,000).

29. SHARE CAPITAL

	Group and Company			
	2018		2017	
	No. of shares '000	$'000	No. of shares '000	$'000
Ordinary shares				
Issued and fully paid				
Balance at 1 January & 31 December	**220,170**	94,943	**220,170**	94,943

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares which have no par value carry one vote per share without restrictions.

30. OTHER RESERVES

	Group		Company	
	2018	2017 (restated)	2018	2017 (restated)
	$'000	$'000	$'000	$'000
Asset revaluation reserve	**–**	–	**–**	–
Foreign currency translation reserve	**(6,053)**	(12,202)	**–**	–
Fair value reserve	**(2,843)**	–	**(2,843)**	–
	(8,896)	(12,202)	**(2,843)**	–
Adoption of SFRS(I) 1	**–**	4,644	**–**	–
Effect arising from adoption of SFRS(I) 1	**–**	(97)	**–**	–
	(8,896)	(7,655)	**(2,843)**	–

(a) *Asset revaluation reserve*

The asset revaluation reserve represents increases in the fair value of motor launches, net of tax prior to 2009, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

	Group	
	2018 $'000	2017 $'000
At 1 January	**–**	566
Transfer to retained earnings on disposal of motor launches	**–**	(566)
At 31 December	**–**	–

The Group changed its accounting policy for property, plant and equipment from revaluation model to cost model in 2009.

30. OTHER RESERVES (continued)

(b) *Foreign currency translation reserve*

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It also includes the effect of exchange differences arising on monetary items that form part of the Group's net investment in foreign operations.

	Group	
	2018	2017 (restated)
	$'000	$'000
At 1 January	**(12,202)**	(4,644)
Adoption of SFRS(I) 1	**4,644**	4,644
Effect arising from adoption of SFRS(I) 1	**(97)**	–
Opening balance as restated at 1 January	**(7,655)**	–
Net effect of exchange differences arising from quasi capital non-trade amount due from subsidiaries	**1,646**	(7,138)
Net effect of exchange differences arising from translation of financial statements of foreign operations	**(44)**	(420)
Effect arising from adoption of SFRS(I) 1	**–**	(97)
At 31 December	**(6,053)**	(7,655)

(c) *Fair value reserve*

	Group and Company	
	2018	2017 (restated)
	$'000	$'000
At 1 January	**–**	–
Issue of Management Award Share per the investment agreement	**(400)**	–
Change in fair value of equity investment at FVOCI	**(2,443)**	–
At 31 December	**(2,843)**	–

31. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

In addition to related party information disclosed elsewhere in the financial statements, the following significant transactions took place at terms agreed between the parties during the financial year:

	Group Related parties		Company Subsidiaries	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Income				
Charter hire fee income	**–**	–	**1,004**	1,546
Commission income	**–**	–	**330**	340
Management fee income	**–**	–	**2,390**	2,710
Interest income	**–**	–	**2,655**	2,432
Rental income	**1**	1	**1,550**	696
Sale of inventory	**–**	–	**20**	–
Dividend income	**–**	–	**9,000**	–
Expense				
Ship building costs	**–**	–	**(24,735)**	(9,611)
Project management cost	**–**	–	**(6,475)**	(6,792)
Interest expense	**–**	–	**(636)**	(366)
Ship management expense	**–**	–	**(54)**	(95)
Ship repair cost	**(9)**	(1)	**(183)**	(89)
Charter hire expense	**–**	–	**(91)**	–
Others				
Disposal of property, plant and equipment	**–**	–	**1**	1

(b) Compensation of key management personnel

	Company	
	2018 $'000	2017 $'000
Short-term employee benefits	**2,498**	2,154
Central Provident Fund contributions	**130**	122
	2,628	2,276
Comprise amounts paid to:		
Directors fees	**179**	167
Directors of the Company	**1,397**	1,035
Other key management personnel	**1,052**	1,074
	2,628	2,276

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

32. GUARANTEES

(a) The Group and Company had outstanding bank guarantees amounting to approximately $3,608,172 (2017: $2,509,710) and $442,500 (2017: $442,500) respectively, in respect of the performance of charter-hire and shipbuilding contracts.

(b) The Company has provided corporate guarantees amounting to $12,912,000 (2017: $16,912,000) to banks in respect of loan and other banking facilities undertaken by subsidiaries of which the outstanding balances at the end of the reporting period amounted to $1,083,000 (2017: $3,333,000).

33. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

(a) The chartering segment provides chartering of motor launches.

(b) The shipbuilding and ship repairs and maintenance segment act as a builder of high speed aluminium commercial vessels and contractor for ship repairs and maintenance services.

Except as indicated above, no operating results have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

33. SEGMENT INFORMATION (continued)

	Chartering		Shipbuilding and ship repairs and maintenance		Adjustments and eliminations		Notes	Total	
	2018	2017	**2018**	2017 (restated)	**2018**	2017		**2018**	2017 (restated)
	$'000	$'000	**$'000**	$'000	**$'000**	$'000		**$'000**	$'000
Revenue:									
Sales to external customers	**24,728**	21,042	**82,540**	58,719	**–**	–		**107,268**	79,761
Inter-segment sales	**84**	–	**15,024**	1,486	**(15,108)**	(1,486)	A	**–**	–
Total revenue	**24,812**	21,042	**97,564**	60,205	**(15,108)**	(1,486)		**107,268**	79,761
Results:									
Interest income	**569**	670	**932**	418	**(413)**	(256)	B	**1,088**	832
Dividend income	**4,000**	–	**–**	–	**(4,000)**	–		**–**	–
Depreciation	**5,871**	6,650	**1,436**	1,256	**1,581**	1,027	B	**8,888**	8,933
Reversal of impairment on property, plant and equipment and inventory	**–**	837	**522**	100	**–**	–		**522**	937
Financial expenses	**502**	463	**49**	62	**(413)**	(256)	B	**138**	269
Other non-cash expenses	**144**	649	**3,305**	16	**(3,304)**	–		**145**	665
Segment profit/(loss) before tax	**12,935**	4,599	**5,290**	(1,012)	**(2,728)**	(1,489)	C	**15,497**	2,098

33. SEGMENT INFORMATION (continued)

The following table presents assets, liabilities and other segment information regarding the Group's business segments for the years ended 31 December 2018 and 2017:

	Chartering		Shipbuilding and ship repairs and maintenance		Discontinued operation		Adjustments and eliminations		Notes	Total	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000		**2018 $'000**	2017 $'000
Assets and liabilities:											
Additions to non-current assets	**20,191**	10,035	**874**	2,132	**–**	–	**(1,843)**	2,102	D	**19,222**	14,269
Goodwill	**–**	–	**78**	78	**–**	–	**–**	–		**78**	78
Segment assets	**133,251**	145,347	**74,505**	46,278	**367**	325	**(1,378)**	(13,812)	E	**206,745**	178,138
Segment liabilities	**14,202**	11,860	**43,527**	24,710	**–**	–	**(3,199)**	703	F	**54,530**	37,273

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A. Inter-segment revenues are eliminated on consolidation.

B. Inter-segment interest income and finance expenses are eliminated on consolidation. Depreciation on mark-up arising from inter-segment sale of motor launches are also eliminated on consolidation.

C. The following items are deducted from segment profit/(loss) before tax to arrive at "profit/(loss) before tax" presented in the consolidated income statement:

	2018 $'000	2017 $'000
Profit from inter-segment sales	**(1,117)**	(462)
Unallocated expenses	**(1,611)**	(1,027)
	(2,728)	(1,489)

The unallocated expenses pertain mainly to depreciation of leasehold building.

D. The adjustments and eliminations relate to additions to leasehold building which cannot be allocated to each segment and inter-segment sales of motor launches.

33. SEGMENT INFORMATION (continued)

E. The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated balance sheet:

	2018 $'000	2017 $'000
Inter-segment assets	**(5,527)**	(19,542)
Unallocated assets	**4,149**	5,730
	(1,378)	(13,812)

The unallocated assets pertain mainly to leasehold building.

F. The following items are added to/ (deducted from) segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2018 $'000	2017 $'000
Inter-segment liabilities	**(5,480)**	(3,378)
Deferred tax liabilities	**677**	2,477
Provision for restoration cost	**1,604**	1,604
	(3,199)	703

Geographical information

Revenue information based on the geographical location of the customers is as follows:

	Chartering		Shipbuilding and ship repairs and maintenance		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Singapore	**8,755**	8,122	**28,363**	14,077	**37,118**	22,199
Rest of Southeast Asia	**15,480**	11,624	**110**	125	**15,590**	11,749
Africa	**–**	–	**48,286**	44,403	**48,286**	44,403
Others	**493**	1,296	**5,781**	114	**6,274**	1,410
	24,728	21,042	**82,540**	58,719	**107,268**	79,761

Management does not monitor non-current assets and capital expenditure by geographical segment because the non-current assets comprise mainly of vessels which cannot be meaningfully allocated as the vessels can be deployed on different routes.

Information about major customers

Revenue from three (2017: three) major customers amount to $48,359,000 (2017: $54,535,000), arising from sales by the shipbuilding and ship repair (2017: shipbuilding and ship repair) segments.

34. DIVIDENDS

Paid during the financial year

Dividends on ordinary shares:

	Group and Company	
	2018 $'000	2017 $'000
- Final exempt (one-tier) dividend for 2017: 0.45 cent per share (2016: NIL) per share	**991**	–

Proposed but not recognised as a liability as at 31 December:

Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:

	Group and Company	
	2018 $'000	2017 $'000
- Final exempt (one-tier) dividend for 2018: 1.25 cents (2017: 0.45 cent) per share	**2,752**	991

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) *Classification of financial instruments*

	Financial assets at amortised cost $'000	Financial assets/ liabilities at fair value through profit or loss $'000	Financial assets at fair value through other comprehensive income $'000	Financial liabilities at amortised cost $'000	Total $'000
Group					
2018					
Assets					
Other investments	–	–	5,157	–	5,157
Trade receivables	20,200	–	–	–	20,200
Other receivables and deposits	11,734	–	–	–	11,734
Contract assets	14,812	–	–	–	14,812
Derivatives	–	163	–	–	163
Fixed deposits	31,624	–	–	–	31,624
Cash and bank balances	10,995	–	–	–	10,995
	89,365	163	5,157	–	94,685
Liabilities					
Trade payables	–	–	–	18,085	18,085
Other payables and accruals	–	–	–	18,834	18,834
Term loans	–	–	–	1,083	1,083
	–	–	–	38,002	38,002
2017 (restated)					
Assets					
Trade receivables	11,894	–	–	–	11,894
Other receivables and deposits	13,723	–	–	–	13,723
Contract assets	1,012	–	–	–	1,012
Fixed deposits	29,736	–	–	–	29,736
Cash and bank balances	9,341	–	–	–	9,341
	65,706	–	–	–	65,706
Liabilities					
Trade payables	–	–	–	8,422	8,422
Other payables and accruals	–	–	–	10,487	10,487
Term loans	–	–	–	3,333	3,333
Derivatives	–	26	–	–	26
	–	26	–	22,242	22,268

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) *Classification of financial instruments* (continued)

	Financial assets at amortised cost $'000	Financial assets/ liabilities at fair value through profit or loss $'000	Financial assets at fair value through other comprehensive income $'000	Financial liabilities at amortised cost $'000	Total $'000
Company					
2018					
Assets					
Other investments	–	–	5,157	–	5,157
Trade receivables	9,954	–	–	–	9,954
Other receivables and deposits	197	–	–	–	197
Loans to subsidiaries	83,834	–	–	–	83,834
Derivatives	–	163	–	–	163
Fixed deposits	20,822	–	–	–	20,822
Cash and bank balances	1,946	–	–	–	1,946
	116,753	163	5,157	–	122,073
Liabilities					
Trade payables	–	–	–	392	392
Other payables and accruals	–	–	–	1,721	1,721
Deposits from subsidiaries	–	–	–	33,738	33,738
	–	–	–	35,851	35,851
2017 (restated)					
Assets					
Trade receivables	938	–	–	–	938
Other receivables and deposits	171	–	–	–	171
Loans to subsidiaries	101,619	–	–	–	101,619
Fixed deposits	29,638	–	–	–	29,638
Cash and bank balances	3,727	–	–	–	3,727
	136,093	–	–	–	136,093
Liabilities					
Trade payables	–	–	–	116	116
Other payables and accruals	–	–	–	1,701	1,701
Deposits from subsidiaries	–	–	–	44,688	44,688
Derivatives	–	26	–	–	26
	–	26	–	46,505	46,531

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Fair value of financial instruments that are carried at fair value

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

<u>Fair value hierarchy</u>

The Group classifies fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used in making the measurements as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

As at 31 December 2018, the group has quoted equity security carried at fair value amount of $5,157,000 (2017: NIL) which is listed on the Singapore Exchange Securities Trading Limited (SGX-ST) in Singapore.

(c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of trade receivables, other receivables and deposits, due from customer for contract work-in-progress, loans to subsidiaries, cash and cash equivalents, trade payables, other payables and accruals, term loans, and deposits from subsidiaries are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives for speculative purposes shall be undertaken. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to the financial risks or the manner in which it manages and measures the risks.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The carrying amount of cash and fixed deposits, trade and other receivables and due from customer for contract work-in-progress represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade and other receivables on an on-going basis. The credit risk concentration profile of the Group's trade and other receivables at the balance sheet date is as follows:

	Group			
	2018 $'000	%	2017 $'000	%
By country:				
Malaysia	**8,644**	28	8,987	36
Singapore	**12,700**	41	6,784	27
Rest of Southeast Asia	**8,258**	27	8,639	35
Others	**1,529**	4	538	2
	31,131	100	24,948	100
By industry sectors:				
Chartering	**17,549**	56	19,122	77
Shipbuilding and repairs and maintenance	**13,582**	44	5,826	23
	31,131	100	24,948	100

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) *Credit risk* (continued)

At the end of the reporting period:

Approximately 81% (2017: 84%) of the Group's trade receivables were due from three (2017: three) major customers consisting of multi-industry conglomerates located in various countries.

Approximately 99% (2017: 94%) of the Company's trade receivables were due from three (2017: two) major customers consisting of government ministries and a multinational corporation.

Financial assets that are neither past due nor impaired

Trade and other receivables and due from customer for contract work-in-progress that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted payments is as follows.

	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Group				
2018				
Financial liabilities				
Trade payables	18,085	–	–	18,085
Other payables and accruals	18,834	–	–	18,834
Term loans	1,024	84	–	1,108
Total undiscounted financial liabilities	37,943	84	–	38,027

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) *Liquidity risk* (continued)

	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Group				
2017				
Financial liabilities				
Trade payables	8,422	–	–	8,422
Other payables and accruals	10,487	–	–	10,487
Term loans	2,312	1,105	–	3,417
Derivatives	26	–	–	26
Total undiscounted financial liabilities	21,247	1,105	–	22,352
Company				
2018				
Financial liabilities				
Trade payables	392	–	–	392
Other payables and accruals	1,721	–	–	1,721
Deposits from subsidiaries	34,286	–	–	34,286
Total undiscounted financial liabilities	36,399	–	–	36,399
2017 (restated)				
Financial liabilities				
Trade payables	116	–	–	116
Other payables and accruals	1,701	–	–	1,701
Deposits from subsidiaries	45,102	–	–	45,102
Derivatives	26	–	–	26
Total undiscounted financial liabilities	46,945	–	–	46,945

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities. The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD) and Euro (EUR).

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances amounted to $25,324,000 (2017: $21,346,000) and $9,760,000 (2017: $18,046,000) for the Group and the Company respectively.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia and Indonesia. The Group's net investments in Malaysia and Indonesia that are not hedged as currency positions in Ringgit and Rupiah are considered to be long-term in nature.

The foreign currency risk is primarily managed by natural hedges of matching assets and liabilities denominated in foreign currencies. In addition, the Group uses forward currency contracts to reduce the currency exposures on material transactions, as deemed by management for which payment is anticipated more than one month after the Group has entered into a firm commitment for the sale. The Group has also been closely monitoring the foreign currency risk and has considered various hedging options for significant foreign currency exposure as and when the need arises.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD and EUR exchange rates (against SGD), with all other variables held constant, of the Group's profit/(loss) before tax.

	Increase/ (decrease) in profit before tax 2018 $'000	**Increase/ (decrease) in profit before tax** 2017 $'000
USD/SGD – strengthened 3% (2017: 3%)	**700**	203
USD/SGD – weakened 3% (2017: 3%)	**(700)**	(203)
EUR/SGD – strengthened 3% (2017: 3%)	**48**	6
EUR/SGD – weakened 3% (2017: 3%)	**(48)**	(6)

(d) *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their term loans denominated in SGD.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in SGD interest rates with all other variables held constant, of the Group's profit/(loss) before tax.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) *Interest rate risk* (continued)

	Increase/ (decrease) in profit before tax 2018 $'000	**Increase/ (decrease) in profit before tax** 2017 $'000
Increase in 100 basis points	**22**	67
Decrease in 100 basis points	**(22)**	(67)

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(e) *Market price risk*

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risks arising from equity investment in quoted equity securities. These securities are quoted on the Singapore Exchange Securities Trading Limited (SGX-ST) in Singapore and are classified as other investments. The Group does not have exposure to commodity price risk.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the price of the shares held had been 5% higher/lower with all other variables held constant, the Group's other comprehensive income would have been $258,000 higher/lower, arising as a result of an increase/decrease in the fair value of equity securities classified as other investments.

37. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to maintain the gearing ratio at less than 50%. The Group includes within net debt loans and borrowings, less cash and fixed deposits. Capital includes equity attributable to the owners of the Company.

38. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 15 March 2019.

STATISTICS OF SHAREHOLDINGS
AS AT 15 MARCH 2019

Number of Issued and Paid up shares (excluding treasury shares and subsidiary holdings)	:	220,169,774
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 vote per share
Treasury Shares	:	Nil
Subsidiary Holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	162	2.48	8,219	0.00
100 - 1,000	2,666	40.82	1,285,367	0.58
1,001 - 10,000	2,293	35.10	11,469,185	5.21
10,001 - 1,000,000	1,387	21.23	72,472,511	32.92
1,000,001 AND ABOVE	24	0.37	134,934,492	61.29
TOTAL	**6,532**	**100.00**	**220,169,774**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Phillip Securities Pte Ltd	43,711,972	19.85
2	Citibank Nominees Singapore Pte Ltd	17,603,956	8.00
3	KS Investments Pte Ltd	13,744,583	6.24
4	Raffles Nominees (Pte.) Limited	11,316,537	5.14
5	DBS Nominees (Private) Limited	8,210,235	3.73
6	OCBC Securities Private Limited	6,872,758	3.12
7	Frederick Huang Tong Leong	3,444,333	1.56
8	Sing Invest And Fin Nominees P L	2,950,000	1.34
9	Maybank Kim Eng Securities Pte. Ltd.	2,721,217	1.24
10	Chan Soo Hin	2,521,666	1.15
11	United Overseas Bank Nominees (Private) Limited	2,463,315	1.12
12	Pang Cheow Jow	2,436,666	1.11
13	Ng Kwong Chong Or Liu Oi Fui Ivy	2,170,000	0.99
14	UOB Kay Hian Private Limited	2,113,729	0.96
15	Soh Suwe @ Soh Kim Swee	1,641,000	0.75
16	OCBC Nominees Singapore Private Limited	1,517,657	0.69
17	Ong Shyh Chang	1,333,333	0.61
18	Teo Jia Hao	1,325,000	0.60
19	HSBC (Singapore) Nominees Pte Ltd	1,311,999	0.60
20	DBS Vickers Securities (Singapore) Pte Ltd	1,188,005	0.54
	TOTAL	**130,597,961**	**59.34**

PERCENTAGE OF SHAREHOLDINGS HELD BY THE PUBLIC AS AT 15 MARCH 2019

Based on the Register of Members and to the best knowledge of the Company, the percentage of shareholdings held in the hands of public is approximately 73.7%. Accordingly, the Company complies with Rule 723 of the Listing Manual.

STATISTICS OF SUBSTANTIAL SHAREHOLDERS
AS AT 15 MARCH 2019

Name of Substantial Shareholder	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Jeffrey Hing Yih Peir (note 1)	-	-	43,333,549	19.68
KS Investments Pte Ltd	13,744,583	6.24	-	-
Keppel Offshore & Marine Ltd (note 2)	-	-	13,744,583	6.24
Keppel Corporation Limited (note 2)	-	-	13,744,583	6.24
Temasek Holdings (Pte) Ltd (note 2)	-	-	13,744,583	6.24

Note 1: Mr Jeffrey Hing Yih Peir's deemed interest is arrived as follows:

Shares held by Phillip Securities Pte Ltd for Mr Jeffrey Hing Yih Peir	40,000,216
Shares held by Citibank Nominees Singapore Pte Ltd for Mdm Wong Bei Keen (spouse of Jeffrey Hing Yih Peir)	3,333,333
	43,333,549

Note 2: Keppel Offshore & Marine Ltd, Keppel Corporation Limited and Temasek Holdings (Pte) Ltd are deemed to be interested in the shares owned by KS Investments Pte Ltd by virtue of Section 7 of the Companies Act, Cap 50.

NOTICE OF ANNUAL GENERAL MEETING

PENGUIN INTERNATIONAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 197600165Z)

NOTICE IS HEREBY GIVEN that the 2019 Annual General Meeting of Penguin International Limited (the "**Company**") will be held on Thursday, 25 April 2019 at 10.30 a.m. at 18 Tuas Basin Link, Singapore 638784, to transact the following business:-

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2018. **Resolution 1**

2. To declare and approve a first and final tax exempt (one-tier) dividend of 1.25 cents per ordinary share for the financial year ended 31 December 2018. **Resolution 2**

3. To approve the payment of Directors' fees of S$179,000.00 for the financial year ended 31 December 2018. (2017: S$167,156.16). **Resolution 3**

4. To re-elect Mr. James Tham Tuck Choong, a Director retiring pursuant to Regulation 92 of the Company's Constitution. *[See Explanatory Note (a)]* **Resolution 4**

5. To re-elect Ms. Tung May Fong, a Director retiring pursuant to Regulation 92 of the Company's Constitution. *[See Explanatory Note (b)]* **Resolution 5**

6. To re-appoint PKF-CAP LLP as the auditor of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 6**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions, with or without modifications:

7. **Share Issue Mandate** **Resolution 7**

"That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority by and is hereby given to the Directors of the Company to:

(a) (i) issue shares in the capital of the Company ("**Shares**") whether by way of bonus issue, rights issue or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares; and/or

(iii) issue additional Instruments convertible into Shares arising from adjustments made to the number of Instruments,

at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution is in force,

provided that:

(i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of passing of this Resolution, of which the aggregate number of Shares issued other than on a pro rata basis does not exceed 20% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company.

(ii) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the time of the passing of this Resolution after adjusting for:

(aa) new Shares arising from the conversion or exercise of convertible securities which were issued pursuant to previous shareholders' approval, and which are outstanding as at the date of the passing of this Resolution;

(bb) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed; and

(cc) any subsequent bonus issue, consolidation or subdivision of the Shares; and

(iii) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." *[See Explanatory Note (c)]*

8. **The Proposed Renewal of the General Mandate for Interested Person Transactions** **Resolution 8**

"That:

(1) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in paragraph 2.3 of the Letter to Shareholders dated 10 April 2019 with the Interested Persons described in paragraph 2.1.1 of the Letter to Shareholders dated 10 April 2019, provided that such transactions are in accordance with the review procedures for such interested person transactions described in paragraph 2.8 of the Letter to Shareholders dated 10 April 2019;

(2) the approval given in paragraph (1) above (the "**IPT Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company;

(3) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as may be necessary for this IPT Mandate (as defined in paragraph (2) above) to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by the SGX-ST from time to time, and such other applicable laws and rules; and

(4) the Directors and any of them be and are hereby authorised to complete and do all such acts and things (including execution of all such documents as may be required) as they or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the IPT Mandate and/or this Resolution." *[See Explanatory Note (d)]*

9. **The Proposed Renewal of the Share Buy-back Mandate** **Resolution 9**

"That:

(a) for the purposes of the Companies Act, Chapter 50 (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued Shares ("**Share Buy-Back**")) not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:-

(i) An on-market Share Buy-Back ("**On-Market Share Buy-back**"), transacted on the SGX-ST's trading system; and/or

(ii) An off-market Share Buy-Back ("**Off-Market Equal Access Share Buy-back**") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buy-back Mandate**");

(b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:-

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date on which the Share Buy-backs are carried out to the full extent mandated; or

(iii) the date by which next Annual General Meeting of the Company is required by law to be held;

(c) In this Resolution:-

"**Prescribed Limit**" means ten per cent (10%) of the total number of Shares issued by the Company (excluding any treasury shares and subsidiary holdings that may be held by the Company) as at the date of passing of this Resolution; and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:-

(i) in the case of an On-Market Share Buy-back, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Equal Access Share Buy-back pursuant to an equal access scheme, 110% of the Average Closing Price of the Shares;

Where:-

"**Average Closing Price**" means the average of the last dealt prices of an ordinary Share for the five consecutive Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of the On-Market Share Buy-back by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Equal Access Buy-back, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant five-day period;

"**Market Day**" means a day on which the SGX-ST is open for trading in securities; and

"**Date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Equal Access Share Buy-back, stating the purchase price which shall not be more than 110% of the Average Closing Price of the Shares (excluding related expenses of the purchase or acquisition) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Equal Access Share Buy-back.

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated by this Resolution." *[See Explanatory Note (e)]*

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 16 May 2019 at 5.00 p.m. for the purpose of determining members' entitlement to the proposed first and final tax exempt (one-tier) dividend of 1.25 cents per ordinary share for the financial year ended 31 December 2018 (the "**Proposed Dividend**").

Duly completed transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5.00 p.m. on 16 May 2019 will be registered before members' entitlement to the Proposed Dividend is determined.

Members (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares of the Company as at 5.00 p.m. on 16 May 2019 will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved at the 2019 Annual General Meeting, will be paid on 28 May 2019.

By Order Of The Board

Heng Michelle Fiona/Lo Swee Oi
Company Secretaries
10 April 2019

Explanatory Notes:

(a) Detailed information pursuant to Rule 720(6) of the Listing Manual on Mr James Tham Tuck Choong can be found under the section entitled "Additional Information on Director Seeking Re-election".

(b) Detailed information pursuant to Rule 720(6) of the Listing Manual on Ms Tung May Fong can be found under the section entitled "Additional Information on Director Seeking Re-election".

(c) The Ordinary Resolution No. 7, if passed, will empower the Directors from the date of this Annual General Meeting to allot and issue shares and convertible securities in the Company up to an amount not exceeding 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

For the purpose of this resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings) is based on the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) at the time that this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(d) Mr. Jeffrey Hing Yih Peir and his associates will abstain from voting on the proposed Ordinary Resolution No. 8 relating to the renewal of the general IPT Mandate. For the purpose of the abstention, the term "associates" as it relates to Mr. Jeffrey Hing Yih Peir is defined as (i) his immediate family, (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.

(e) The Ordinary Resolution No. 9, if passed, will empower the Directors to make purchases (whether by way of market purchases or off-market purchases on an equal access scheme) from time to time of up to 10% of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, at the price up to but not exceeding the Maximum Price. The rationale for the Share Buy-back Mandate, the source of funds to be used for the Share Buy-back Mandate, the impact of the Share Buy-back Mandate on the Company's financial position, the implications arising as a result of the Share Buy-back Mandate under The Singapore Code on Take-overs and Mergers and on the listing of the Company's Shares on the SGX-ST are set out in the Letter to Shareholders dated 10 April 2019.

Notes:

(1) (a) A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the AGM in his stead. Where such member appoints more than one (1) proxy, he shall specify the proportion of his shareholding to be represented by each proxy.

(b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM in his stead. Where such member appoints more than one (1) proxy, he shall specify the proportion of his shareholding to be represented by each proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

(2) The instrument or form appointing a proxy, duly executed, must be deposited at the registered office of the Company at 18 Tuas Basin Link, Singapore 638784 not less than 72 hours before the time appointed for holding the AGM in order for the proxy to be entitled to attend and vote at the AGM. The sending of a Proxy Form by a member does not preclude him from attending and voting in person if he finds that he is able to do so. In such event, the relevant Proxy Form(s) will be deemed to be revoked.

(3) A proxy need not be a member of the Company. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf.

(4) A Depositor's name must appear on the Depository Register maintained by CDP as at 72 hours before the time fixed for holding the AGM in order to be entitled to attend and vote at the AGM.

(5) The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing. Where the instruction appointing a proxy is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Photographic, sound and/or video recordings of the above meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the meeting. Accordingly, the personal data of a member of the Company (such as his name, his presence at the meeting and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

In addition, the Company may upon the request of any shareholder, provide such shareholder with a copy of the minutes of the above meeting which may contain a member's personal data as explained above. By participating in the meeting, raising any questions and/or proposing/seconding any motion, a member will be deemed to have consented to have his personal data recorded and dealt with for the purposes and in the manner explained above.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr **James Tham Tuck Choong** and Ms **Tung May Fong** are the Directors seeking re-election at the annual general meeting of the Company on 25 April 2019 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

Name of Director	**James Tham Tuck Choong**	**Tung May Fong**
Date of appointment	15 August 2008	2 May 2008
Date of last re-appointment (if applicable)	27 April 2017	21 April 2016
Age	48	46
Country of principal residence	Singapore	Singapore
The Board's comments on this re-appointment (including rationale, selection criteria, and the search and nomination process)	The Board has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the performance, contributions, qualifications, expertise, work experience and suitability of Mr Tham for re-election as the Managing Director of the Company. The Board has accepted the NC's recommendation and concluded that Mr Tham possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. In addition, Mr Tham has the experience and in-depth knowledge of the Group's business to lead its operations and growth as well as oversee its overall strategic business development.	The Board has considered, among others, the NC's recommendation and has reviewed and considered the performance, contributions, qualifications, expertise, work experience and suitability of Ms Tung for re-election as the Finance & Administration Director of the Company. The Board has accepted the NC's recommendation and concluded that Ms Tung possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. In addition, with her vast experience and in-depth knowledge of the Group's operations and functions, Ms Tung is in a good position to manage and oversee the management of the Group's administration, finance and compliance activities.
Whether Board appointment is executive, and if so, the area of responsibility	Managing Director - leading the development of the Company's short and long term strategy and managing the overall operations and resources of the Company.	Executive Director - responsible for the Group's accounting and finance, corporate reporting, management information system and human resource functions.
Job Title (e.g. Lead ID, AC Chairman, AC Member)	Managing Director	Finance and Administration Director

Name of Director	**James Tham Tuck Choong**	**Tung May Fong**
Academic / professional qualifications	Bachelor of Business Administration from College of Business Administration, Ohio University Bachelor of Science in Journalism from Scripps School of Journalism, Ohio University	ACCA Diploma with Merit in Accounting
Working experience and occupation(s) during the past 10 years	Managing Director, Penguin International Limited	Finance & Administration Director, Penguin International Limited
Shareholding interest in the listed issuer and its subsidiaries	666,666 shares registered in own name	51,500 shares registered in own name
Any relationship (including immediate family relationships) with any existing director/existing executive officer of the Company or any of its principal subsidiaries and/or substantial shareholder	No	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes
Other Principal Commitments including Directorships: Past 5 years: Present:	Nil	Nil
Mr James Tham Tuck Choong and Ms Tung May Fong have individually confirmed that on each of the questions as set out in paragraphs (a) to (k) of Appendix 7.4.1 of the Listing Manual of the SGX-ST, the answer is "no".		
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of an issuer listed on the Exchange? (Yes/No) If yes, please provide details of prior experience.	Yes. Appointed Director of Penguin International Limited since 2008	Yes. Appointed Director of Penguin International Limited since 2008
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N.A.	N.A.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

This page has been intentionally left blank.

PENGUIN INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 197600165Z)

PROXY FORM

IMPORTANT

1. Pursuant to Section 181(1C) of the Companies Act, Cap. 50 of Singapore (the "**Act**"), relevant intermediaries may appoint more than two (2) proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF/SRS monies to buy shares in the Company ("**CPF/SRS Investors**"), this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS Investors are requested to contact their respective Agent Banks/SRS Operators for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks /SRS Operators as proxies for the Annual General Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2019.

I/We ____________________ (Name)

____________________ (NRIC No./Passport No./Company Registration No.)

of ____________________ (Address)

being a *member/members of **PENGUIN INTERNATIONAL LIMITED** (the "**Company**"), hereby appoint:

Name	Address	*NRIC/Passport No.	Proportion of Shareholdings (%)

*and/or

Name	Address	*NRIC/Passport No.	Proportion of Shareholdings (%)

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting, as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company (the "**Meeting**") to be held on Thursday, 25 April 2019 at 10.30 a.m. at 18 Tuas Basin Link, Singapore 638784 and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the Meeting.

* Please delete accordingly

NO.	ORDINARY RESOLUTIONS	For	Against
	ORDINARY BUSINESS		
1.	Adoption of Directors' Statement and Audited Financial Statements		
2.	Declaration and Approval of First and Final Dividend		
3.	Approval of Directors' Fees		
4.	Re-election of Mr James Tham Tuck Choong as Director		
5.	Re-election of Ms Tung May Fong as Director		
6.	Re-appointment of PKF-CAP LLP as Auditor		
	SPECIAL BUSINESS		
7.	Renewal of Share Issue Mandate		
8.	Renewal of General Mandate for Interested Person Transactions		
9.	Renewal of Share Buy-back Mandate		

Dated this ________ day of ____________ 2019.

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

____
Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES BEFORE COMPLETING THIS PROXY FORM

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore, you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act (Chapter 50) of Singapore ("the Act"), a member is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

3. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary, is entitled to appoint more than two (2) proxies to attend and vote at the meeting, but each proxy must be appointed to exercise rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares held by such member in relation to which each proxy has been appointed shall be specified in the proxy form.

4. A proxy need not be a member of the Company.

5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 18 Tuas Basin Link, Singapore 638784 not less than 72 hours before the time appointed for the meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation that is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Act.

9. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company. A Depositor shall not be regarded as a member of the Company entitled to attend the meeting and to vote thereat unless his name appears on the Depository Register 72 hours before the time appointed for the meeting.

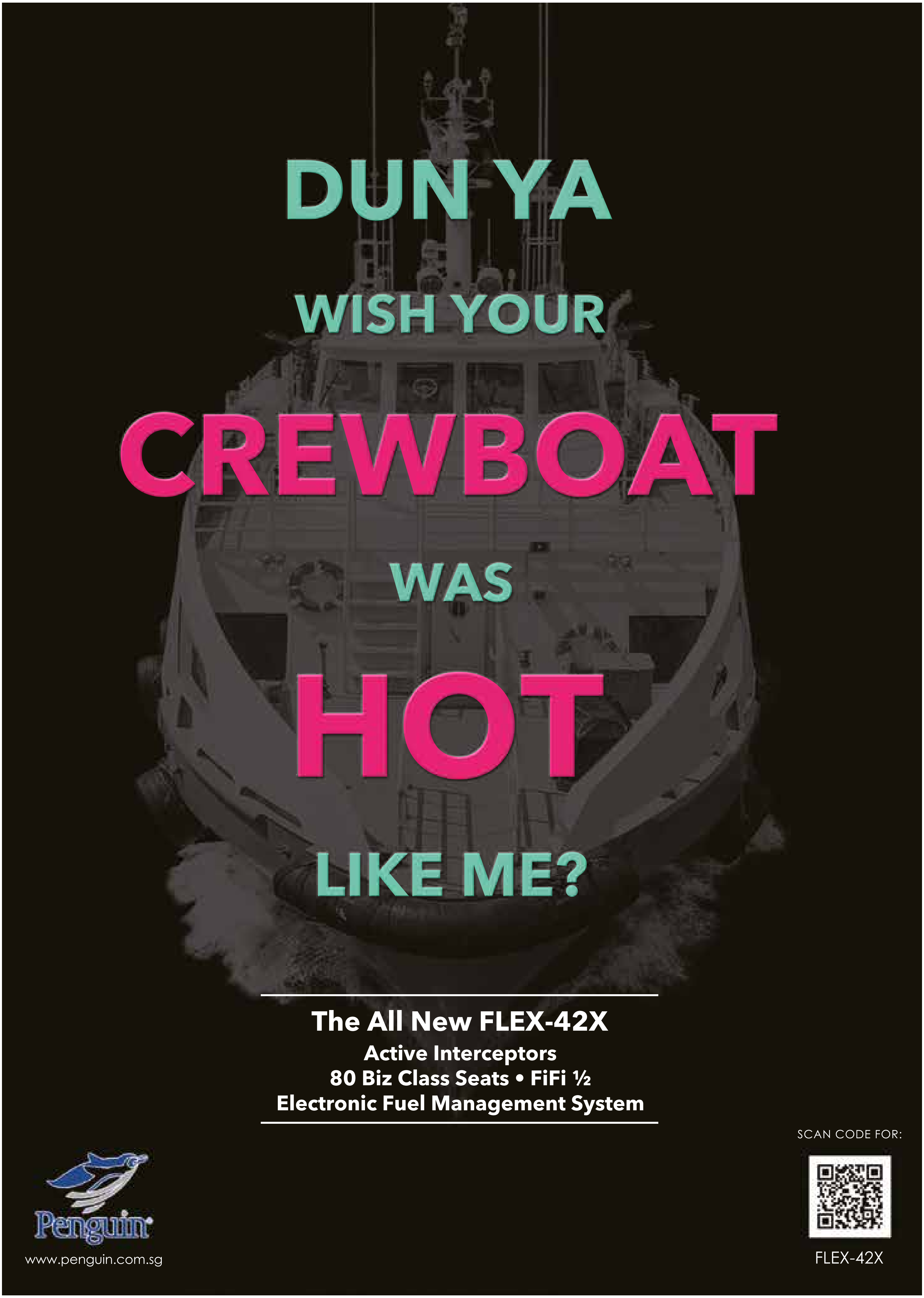
10. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.

SPECIAL NOTE:

Interested Persons in the class described in paragraph 2.1.1 of the Letter to Shareholders dated 10 April 2019 who shall accept nominations as proxies or otherwise may not vote at the AGM in respect of the ordinary resolution unless the shareholders appointing them as proxies give specific instructions in the relevant proxy forms in the manner in which they wish their votes to be cast for the ordinary resolution.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, Listing Rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.


DUN YA
WISH YOUR
CREWBOAT
WAS
HOT
LIKE ME?
The All New FLEX-42X
Active Interceptors
80 Biz Class Seats • FiFi ½
Electronic Fuel Management System
SCAN CODE FOR:
FLEX-42X
Penguin
www.penguin.com.sg